Table of Contents

We will also reimburse the underwriter $700,000 for reasonable out-of-pocket expenses incurred by it in connection with its engagement as underwriter, regardless of whether this offering is consummated, including, without limitation, all marketing, syndication and travel expenses and legal fees and expenses. We estimate that the total expenses of this offering payable by us, exclusive of the underwriting discount, will be approximately $9,300,000 (including $700,000 of reimbursable underwriter expenses).

Pricing of the Offering

Immediately prior to this offering, there was no public market for our common stock. The initial public offering price was determined by negotiations between us and the underwriter. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our revenues, results of operations and certain other financial and operating information in recent periods, and the valuation measures, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. We cannot assure you, however, that the price at which the shares of our common stock will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market incur shares of common stock will develop and continue after this offering.

Our common stock has been approved for listing on the NASDAQ Global Market under the symbol “LIQD.”

Indemnity

We have agreed to indemnify the underwriter, and persons who control the underwriter, against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriter may be required to make in respect of these liabilities.

Lock-Up Agreement

We, each of our executive officers and directors and all of our stockholders have agreed, subject to certain exceptions, for the period beginning on and including the date of this prospectus through and including the date that is 180 days after the date of this prospectus, (i) not to sell, offer, agree to sell, contract to sell, hypothecate, pledge, grant any option to purchase, make any short sale of, or otherwise dispose of or hedge, directly or indirectly, any shares of our common stock, any of our securities that are substantially similar to any of our common stock, or any of our securities convertible into, repayable with, exchangeable or exercisable for, or that represent the right to receive any shares of our common stock or any of our securities that are substantially similar to our common stock, or (ii) publicly announce an intention to do any of the foregoing, without, in each case, the prior written consent of the underwriter. These restrictions are expressly agreed to preclude us, our executive officers and directors and substantially all of our stockholders, from engaging in any hedging or other transaction or arrangement that is designed to, or which reasonably could be expected to, lead to or result in a sale, disposition or transfer, in whole or in part, of any of the economic consequences of ownership of our common stock, whether such transaction would be settled by delivery of our common stock or other securities, in cash or otherwise. Notwithstanding the foregoing, if we cease to be an emerging growth company at any time prior to the completion of the 180-day restricted period referred to in this paragraph, then such 180-day restricted period will be automatically extended if (1) during the last 17 days of the 180 day restricted period, we issue an earnings release or material news or a material event relating to us occurs, or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results or become aware that material news or a material event relating to us will occur during the 16-day period beginning on the last day of the 180-day restricted period, in which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In addition, during the period beginning on and including the date of this prospectus and continuing through and including the date that is 180 days after the date of this prospectus, without the prior written consent of the underwriter, we will not, subject to certain exceptions, file or cause to become effective a

Table of Contents

registration statement under the Securities Act, relating to the offer and sale of any shares of our common stock or any of our other securities that are substantially similar to our common stock, or any of our securities that are convertible into, repayable with, exchangeable or exercisable for, or that represent the right to receive, the foregoing.

The underwriter may, in its sole discretion and at any time and from time to time, without notice, release all or any portion of the common shares or other securities referenced above from the foregoing restrictions.

Brian Ferdinand, our Vice Chairman of the Board and Head of Corporate Strategy and one of our founders, and Douglas Von Allmen, a beneficial owner of more than 10% of our common stock, have agreed to purchase an aggregate of $16.2 million of our shares of common stock in this offering at the initial public offering price per share. The shares purchased by Mr. Ferdinand will be purchased from us directly at $9 per share, and not from the underwriter, and no underwriting discount will be payable by us or by Mr. Ferdinand on such shares. We will, however, pay a fee on such shares to the underwriter, which fee will be in the same amount as the underwriting discount. The shares purchased by Mr. Ferdinand will reduce the aggregate number of shares offered to investors generally in the underwritten offering. The shares purchased by these stockholders will be subject to the lock-up agreements contemplated in the immediately preceding paragraphs.

Stabilization

In connection with this offering, the underwriter may engage in stabilizing transactions, over-allotment transactions and syndicate covering transactions.

- Stabilizing transactions permit bids to purchase shares of common stock so long as the stabilizing bids do not exceed a specified maximum and are made to prevent or slow down a decline in the market price of the common stock while this offering is in progress.
- Over-allotment transactions involve sales by the underwriter of shares of common stock in excess of the number of shares the we are offering. This creates a syndicate short position that may be either a covered short position or a naked short position. In a covered short position, the number of shares of common stock over-allotted by the underwriter is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriter may close out any short position by exercising its over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of common stock in the open market after the distribution of this offering has been completed to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the over-allotment option. If the underwriter sells more shares than could be covered by exercise of the over-allotment option and, therefore, has a naked short position, the position can be closed out only by buying shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in this offering.

These stabilizing transactions and syndicate covering transactions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriter make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Table of Contents

Our Relationship with the Underwriter

The underwriter, and some of its affiliates, have performed and may in the future perform financial advisory and investment banking services for us from time to time in the ordinary course of their business and may receive compensation for such services.

Direct Offering

The 80,079 shares to be purchased by Mr. Ferdinand will be purchased from us directly at $9 per share, and not from the underwriter, and no underwriting discount will be payable by us or by Mr. Ferdinand on such shares. We will, however, pay a fee on such shares to the underwriter, which fee will be in the same amount as the underwriting discount. The shares to be purchased by Mr. Ferdinand will reduce the aggregate number of shares offered to investors generally through the underwriter in the underwritten offering. The closing of the direct offering is expected to occur on the same day as the underwritten offering, and is contingent upon the completion of the underwritten offering. The underwritten offering is not contingent upon the closing of the direct offering.

Table of Contents

LEGAL MATTERS

The validity of the shares of our common stock offered hereby will be passed upon for us by Gibson, Dunn & Crutcher LLP, New York, New York. Sidley Austin LLP, New York, New York is acting as counsel to the underwriter.

EXPERTS

The consolidated financial statements of Liquid Holdings, LLC as of December 31, 2012 and for the period from April 24, 2012 (date of commencement of operations) to December 31, 2012, included in this prospectus, have been audited and reported upon by KPMG LLP, an independent registered public accounting firm. The combined financial statements of Liquid Predecessor Companies as of April 24, 2012 and December 31, 2011 and for the periods then ended, included in this prospectus, have been audited and reported upon by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements of Liquid Prime Holdings LLC as of October 4, 2012 and for the period from April 25, 2012 to October 4, 2012, included in this prospectus, have been audited and reported upon by KPMG LLP, independent auditors. The financial statements of Liquid Futures LLC as of December 31, 2011 and for the period from August 26, 2011 (date of formation) to December 31, 2011, included in this prospectus, have been audited and reported upon by KPMG LLP, independent auditors. The financial statements of LTI, LLC as of December 31, 2011 and for the period from August 22, 2011 (date of formation) to December 31, 2011, included in this prospectus, have been audited and reported upon by KPMG LLP, independent auditors. The consolidated financial statements of Centurion Capital Group, LLC as of December 31, 2011 and 2010 and for the year ended December 31, 2011 and the period from May 11, 2010 (date of formation) to December 31, 2010, included in this prospectus, have been audited and reported upon by KPMG LLP, independent auditors. The financial statements of Green Mountain Analytics, LLC as of December 31, 2011 and 2010 and the for each of the years in the two-year period then ended, included in this prospectus, have been audited and reported upon by KPMG LLP, independent auditors. The financial statements of Fundsolve Limited as of March 31, 2012 and 2011 and for each of the years in the two-year period then ended, included in this prospectus, have been audited and reported upon by KPMG LLP, independent auditors. Such financial statements have each been included in this prospectus in reliance upon the reports of KPMG LLP, appearing elsewhere in this prospectus, and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, including exhibits, of which this prospectus is a part, under the Securities Act with respect to the shares of common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of common stock to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0330. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you for free on the SEC's website at www.sec.gov. Upon consummation of this offering, we will become subject to the informational requirements of the Exchange Act and will be required to file reports and other information. You will be able to inspect and copy these reports and other information at the public reference facilities maintained by the SEC at the address noted above. You will also be able to obtain copies of these materials from the Public Reference Room of the SEC at the address noted above or inspect them without charge at the SEC's website. We intend to make available to our common stockholders annual reports containing consolidated financial statements audited by an independent registered public accounting firm.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

Table of Contents

Table of Contents

Fundsolve Limited:

Table of Contents

Report of Independent Registered Public Accounting Firm

The Members
Liquid Holdings Group, LLC:

We have audited the accompanying consolidated balance sheet of Liquid Holdings Group, LLC and subsidiaries as of December 31, 2012, and the related consolidated statements of operations and comprehensive income (loss), changes in members' equity, and cash flows for the period from April 24, 2012 (commencement of operations) to December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liquid Holdings Group, LLC and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the period from April 24, 2012 (commencement of operations) to December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
April 10, 2013 except as to
note 1(b), which is as of July 24, 2013

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2012

		Pro forma (Note 16) (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,380,078	$ 1,380,078
Note receivable from related party—QuantX Management, LLP	2,250,000	2,250,000
Deferred offering costs	3,476,427	3,476,427
Other receivable	1,637,075	1,637,075
Prepaid expenses and other current assets	119,417	119,417
Total current assets	8,862,997	8,862,997
Property and equipment, net	325,285	325,285
Other assets:		
Due from related parties	359,030	359,030
Deposits	478,258	478,258
Other intangible assets, net of amortization of $2,742,518	18,740,125	18,740,125
Goodwill	13,182,936	21,198,936
Total other assets	32,760,349	40,776,349
TOTAL ASSETS	$ 41,948,631	$ 49,964,631
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,199,869	$ 3,199,869
Due to related parties	61,873	61,873
Deferred income	2,062	2,062
Deferred tax liability	268,160	2,949,700
Total current liabilities	3,531,964	6,213,504
Long-term liabilities:		
Deferred rent	51,338	51,338
Contingent consideration payable on Fundsolve acquisition	1,561,000	1,561,000
Deferred tax liability	429,100	4,720,200
Total liabilities	5,573,402	12,546,042
Commitments and contingencies (Note 9)		
Members' equity:		
Capital contributed (17,791,284 common shares issued and outstanding)	74,639,166	74,639,166
Accumulated deficit	(38,245,864)	(37,202,504)
Accumulated other comprehensive income (loss)	(18,073)	(18,073)
Total members' equity	36,375,229	37,418,589
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 41,948,631	49,964,631

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD FROM APRIL 24, 2012 (COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2012

		Pro forma (Note 16) (Unaudited)
Revenues:		
Brokerage activities	$ 1,295,248	$ 1,295,248
Software services, including $890,432 from related parties	1,032,534	1,032,534
	2,327,782	2,327,782
Cost of sales:		
Brokerage activities	817,559	817,559
Software services, including $352,474 to related parties	690,190	690,190
	1,507,749	1,507,749
Gross profit	820,033	820,033
Operating expenses:		
Compensation (including $26,974,828 in share-based compensation)	28,333,420	28,333,420
Consulting fees (including $2,404,992 in share-based payments)	3,081,002	3,081,002
Depreciation and amortization	2,761,703	2,761,703
Professional fees	1,644,483	1,644,483
Impairment of goodwill and intangible assets	1,550,652	1,550,652
Rent	629,400	629,400
Computer related and software development	71,467	71,467
Other	790,747	790,747
Total operating expenses	38,862,874	38,862,874
Loss from operations	(38,042,841)	(38,042,841)
Non-operating income (expense):		
Registration rights penalty	(1,674,704)	(1,674,704)
Gain on contingent consideration payable	1,545,000	1,545,000
Unrealized gain on contingent consideration payable	129,000	129,000
Other expenses	(375,000)	(375,000)
Interest income	68,341	68,341
Total non-operating income (expense)	(307,363)	(307,363)
Loss before income taxes	(38,350,204)	(38,350,204)
Income tax benefit	104,340	1,147,700
Net loss	(38,245,864)	(37,202,504)
Other comprehensive income (loss):		
Foreign currency translation	(18,073)	(18,073)
Total comprehensive loss	$(38,263,937)	(37,220,577)
Basic and diluted earnings (loss) per share	$ (2.46)	$ (2.40)
Weighted average number of common shares outstanding during the period—basic and diluted	15,517,444	15,517,444

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM APRIL 24, 2012 (COMMENCEMENT OF OPERATIONS)
THROUGH DECEMBER 31, 2012

	Common Shares	Incentive Units	Capital Contributed (Distributed)	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Common Shares	Total
Balance at January 17, 2012 (inception)	—	—	$ —	$ —	$ —	$ —	$ —	$ —
Issuance of common shares to Founders, April 2012	9,979,324	—	2,003,468	(2,003,468)	—	—	—	—
Issuance of common shares in accordance with 2012 Equity Plan for consulting services and share-based compensation, April 2012	1,623,546	—	10,348,136	—	—	—	—	10,348,136
Capital contribution by Founder for sale of common shares to director below market in connection with shared-based compensation, April 2012	—	—	178,744	—	—	—	—	178,744
Issuance of common shares for the purchase of proprietary software, April 2012	868,338	—	—	—	—	—	—	—
Founders contribution of Futures for satisfaction of subscription receivable in May 2012	—	—	(6,623)	1,385,330	—	—	—	1,378,707
Issuance of common shares for the contribution of 2.5% interest of Liquid Trading Institutional, LLP, June 2012	169,453	—	425	—	—	—	—	425
Founders contribution of Liquid Trading Institutional, LLP 97.5% interest for satisfaction of subscription receivable in July 2012	—	—	—	16,575	—	—	—	16,575
Issuance of common shares in connection with the acquisition of Liquid Partners, LLC, July 2012	951,432	—	8,755,000	—	—	—	—	8,755,000
Issuance of common shares in connection with share sale, net of issuance cost of $1,250,000, July 2012	1,239,986	—	11,250,000	—	—	—	—	11,250,000
Issuance of common shares in connection with the acquisition of Green Mountain Analytics in August 2012	2,038,857	—	19,973,374	—	—	—	—	19,973,374
Issuance of common shares in connection with the acquisition of LTI, LLC in September 2012	495,821	—	5,078,588	—	—	—	—	5,078,588
Founders advances due to LTI, LLC, utilized in capital of Futures and Prime, deemed dividend distributions to Founders in October 2012	—	—	(2,395,000)	—	—	—	—	(2,395,000)
Founders advances due to LTI, LLC, utilized for predecessor Guernsey, deemed dividend distributions to Founders in October 2012	—	—	(589,713)	—	—	—	—	(589,713)
Founders contribution of Liquid Prime Holdings, LLC for satisfaction of subscription receivable in October 2012	—	—	(484,876)	601,563	—	—	—	116,687

(Continued)

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM APRIL 24, 2012 (COMMENCEMENT OF OPERATIONS)
THROUGH DECEMBER 31, 2012

	Common Shares	Incentive Units	Capital Contributed	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Common Shares	Total
Capital contribution by Founder for sale of common shares to directors below market in connection with share-based compensation, October 2012	—	—	648,683	—	—	—	—	648,683
Capital contribution of common shares by Founder, October 2012	(173,667)	—	1,399,968	—	—	—	(1,399,968)	—
Issuance of common shares in accordance with 2012 Equity Plan for share-based compensation, October 2012	612,911	—	4,760,000	—	—	—	—	4,760,000
Issuance of incentive units in accordance with 2012 Equity Plan for share-based compensation, October 2012	—	—	2,484,274	—	—	—	—	2,484,274
Capital contribution by Founder for sale of common shares to consultant below market in connection with share-based payment, November 2012	—	—	132,368	—	—	—	—	132,368
Issuance of common shares in accordance with 2012 Equity Plan for share-based compensation, December 2012	356,174	—	1,424,776	—	—	—	1,399,968	2,824,744
Capital contribution by Founders for sale of common shares to officer below market in connection with share-based compensation, December 2012	—	—	318,397	—	—	—	—	318,397
Cancellation of common shares received in equity grant for Incentive Common Units, December 2012	(612,911)	—	—	—	—	—	—	—
Restricted common units award accrued in accordance with 2012 Incentive Plan for share-based compensation, December 2012	—	—	1,910,624	—	—	—	—	1,910,624
Issuance of common shares for registration rights penalty, October to December 2012	242,020	—	1,674,704	—	—	—	—	1,674,704
Issuance of incentive units in accordance with 2012 Equity Plan for share-based compensation, December 2012	—	—	5,773,849	—	—	—	—	5,773,849
Foreign currency translation	—	—	—	—	—	(18,073)	—	(18,073)
Net loss	—	—	—	—	(38,245,864)	—	—	(38,245,864)
	17,791,284	—	$ 74,639,166	$ —	$ (38,245,864)	$ (18,073)	$ —	$ 36,375,229

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM APRIL 24, 2012 (COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$(38,245,864)
Adjustments to reconcile net loss to net cash used in operating activities:	
Registration rights penalty	1,674,704
Impairment of goodwill and intangible assets	1,550,652
Unrealized gain on contingent consideration payable	(129,000)
Gain on settlement of contingent consideration payable	(1,545,000)
Depreciation and amortization expense	2,761,703
Share-based compensation	26,974,828
Share-based payments for consulting services	2,404,992
Other	(169,538)
Deferred tax benefit	104,340
Changes in operating assets and liabilities:	
Other receivable	(671,720)
Deferred offering costs	(3,476,427)
Prepaid expense and other current assets	31,622
Security deposit	(363,644)
Accounts payable and accrued expenses	2,816,055
Due to related parties	(139,810)
Other current liabilities	2,024
NET CASH USED IN OPERATING ACTIVITIES	(6,420,083)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(89,399)
Acquisition of intangible assets	(1,536,544)
Cash acquired in acquisitions	2,424,347
Capital contributions in acquisitions in advance of regulatory approval	(2,150,000)
Advances to related parties	143,802
Note and interest receivable from related party—QuantX Management, LLP	(5,000,000)
Repayment of note from related party—QuantX Management, LLP	2,750,000
Repayment of loan—related party	(81,700)
NET CASH USED IN INVESTING ACTIVITIES	(3,539,494)
CASH FLOWS FROM FINANCING ACTIVITIES	
Advance from QuantX Management, LLP	44,791
Advance from ECHOtrade, LLC	45,854
Proceeds from share sales, net offering cost	11,250,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,340,645
Effect of exchange rate changes on cash	(990)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,380,078
CASH AND CASH EQUIVALENTS—Beginning	—
CASH AND CASH EQUIVALENTS—Ending	$ 1,380,078

(Continued)

See accompanying notes to consolidated financial statements.

Table of Contents

**LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM APRIL 24, 2012 (COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2012**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Interest paid	$ —
Income taxes paid	$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Issuance of common shares for the contribution of Liquid Trading Institutional LLP, June 2012	$ 17,000
Issuance of common shares in connection with the acquisition of Liquid Partners LLC, July 2012	$ 8,755,000
Issuance of common shares for the future contribution of Liquid Prime Services, Inc.	$ 116,687
Founders contribution of Liquid Futures, LLC, May 2012	$ 1,378,708
Issuance of common shares in connection with the acquisition of Green Mountain Analytics, LLC, August 2012	$19,973,374
Issuance of common shares in connection with the acquisition of LTI, LLC, September 2012	$ 5,078,588
Capital contribution by Founders	$ 1,511,969
Contingent consideration on Fundsolve acquisition	$ 1,561,000
Founders distribution for Liquid Futures, LLC	$ 1,425,000
Founders distribution for Liquid Prime Services, Inc.	$ 970,000
Founders distribution for Liquid Trading Holdings Limited	$ 589,713

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Basis of Presentation

(a) Organization

Liquid Holding Group, LLC ("LHG" or the "Company"), a Delaware limited liability company, was formed on January 17, 2012. The Company is an entity that was formed with the intention of being the holding company to acquire and own a group of companies and ultimately pursue an initial public offering ("IPO") in the United States. The Company is the successor control entity of the Liquid Predecessor Companies (collectively, the "Predecessor"), which was not a legal entity, but rather a combination of certain entities and operations formed to continue and expand the Liquid organization in developing and operating a proprietary next generation technology platform that streamlines and unifies the entire trade and risk management process for the financial services community. The individual entities that comprise the Predecessor include: Liquid Prime Holdings, LLC ("LPH"), Liquid Prime Services, Inc. ("Prime"), Liquid Trading Holdings Limited ("Guernsey") and Centurion Capital Group, LLC ("Centurion"). The Company's subsidiaries that are included in the consolidation are: (1) Liquid Futures LLC ("Futures"), (2) Liquid Trading Institutional LLP ("Institutional"), (3) Liquid Partners, LLC formerly known as Centurion Capital Group, LLC and Centurion Trading Partners, LLC (collectively "Centurion"), (4) Fundsolve Ltd. ("Fundsolve"), (5) LHG Technology Services Ltd. ("Technology"), (6) Liquid Prime Holdings, LLC ("LPH"), (7) Green Mountain Analytics, LLC ("GMA") and (8) LTI, LLC ("LTI"). The Company commenced operations on April 24, 2012, the date the Founders (as defined in Note 5) signed a limited liability agreement of the Company and agreed to contribute certain entities owned or controlled by them to the Company.

LPH is a Delaware limited liability company that was formed in September 2011, to be a holding company for Prime. Prime formerly known as Taconic Capital Group Inc. ("Taconic") changed its name to Liquid Prime Services, Inc. on November 17, 2011. Taconic was formed on May 16, 2003 as a New York Corporation. Prime is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority.

Guernsey, a company incorporated under the laws of Guernsey, was formed on October 6, 2011. Guernsey was formed to be the holding company of various entities that would go public in the United Kingdom ("UK") and to be listed on the London Stock Exchange Alternative Investments Market ("AIM"). On December 30, 2011, Guernsey purchased all the membership interests of Centurion. Centurion Capital Group, LLC was formed on May 11, 2010 as a Florida limited liability company and was formerly known as Centurion Capital South LLC. On March 1, 2012, Centurion changed its name to Liquid Partners, LLC, ("Partners"). Partners is a provider of infrastructure and support services to traders and asset managers for whom LHG is the exclusive technology provider. In addition, Partners serves as a beta testing site for the Company's technology. In April 2012, the initiative to go public in the UK was cancelled and the Company assumed all the assets and obligations of Guernsey.

Institutional, formerly known as Liquid Trading Investment Advisers LP, ("Advisers"), is a company incorporated in England and Wales and was formed on April 1, 2011. Advisers changed its name to Liquid Trading Institutional LLP on February 6, 2012. Institutional is a Financial Conduct Authority ("FCA") registered broker-dealer for European based managers and was approved by the FCA (then known as the Financial Services Authority) on July 2, 2012.

Futures is a Delaware limited liability company that was formed on August 25, 2011 as a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). Futures was approved by the NFA as a member on March 15, 2012, at which time it commenced operations.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Technology was formed on February 22, 2012, as a corporation under Mauritius law. It was originally named TTSL 74 Limited and changed its name to LHG Technology Services Ltd. on July 13, 2012. Technology is intended to be the holding company for a Chinese subsidiary still to be formed.

Fundsolve, a company incorporated under the laws of England and Wales, was formed on February 9, 2006. The Company acquired Fundsolve on July 31, 2012. Fundsolve is a portfolio risk reporting company which provides proprietary technology and a risk calculation engine for small to medium sized hedge funds.

GMA is a Vermont limited liability company that was formed on April 29, 2002. The Company acquired GMA on August 27, 2012. Two of the founders of the Company held an ownership interest in GMA through entities controlled by them. GMA is a software development company that provides a trading platform servicing the securities trading industry, using its own proprietary software. In addition, the Company provides software development on a consulting basis. Service and consulting revenue of GMA, prior to its acquisition by the Company, was all attributed to related party transactions.

LTI is a development stage company that was formed as a Delaware limited liability company on August 22, 2011. The Company was formed to invest in a future IPO. The Company acquired LTI on September 30, 2012.

On April 24, 2012, the Company executed a LLC Agreement and authorized two classes of common units, Class A Common Units and Non-dilutive Common Units. Both classes had the same privileges, preferences, duties, obligations and rights, except that the Non-dilutive Common Units had anti-dilution rights. On October 22, 2012, the Company amended its LLC Agreement to redesignate all outstanding Non-dilutive Common Units and Class A Common Units as Common Units. The financial statements and related notes retroactively reflect the redesignation of all issuances as Common Units.

The Company's financial statements for the period from April 24, 2012 (commencement of operations) to July 31, 2012 were prepared as an entity in the development stage pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, *Development Stage Entities*. The Company is no longer considered to be in the development stage as it has commenced its principal operations and is generating revenues therefrom.

The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). The consolidated financial statements reflect all adjustments, which are in the opinion of management, necessary for the fair presentation of results.

The individual limited liability companies included within the consolidated financial statements continue in existence until dissolved in accordance with the provisions of their operating agreements and are funded through the equity contributions of their owners. As limited liability companies, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies except as may otherwise be provided under applicable law. The members are not obligated to restore capital deficits. Pursuant to the terms of each LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

(b) Reorganization

On July 3, 2013, the Company's Board of Directors approved a plan to reorganize as a Delaware corporation and change its name from Liquid Holdings Group, LLC to Liquid Holdings Group, Inc. In connection with this reorganization, all of the outstanding common units of the Company will convert into

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

common shares of Liquid Holdings Group, Inc. at a ratio of 10,606.81 common shares of Liquid Holdings Group, Inc. for each issued and outstanding common unit of Liquid Holdings Group, LLC immediately prior to the effectiveness of its registration statement. The Company completed the reorganization and unit to share conversion on July 24, 2013. The accompanying financial statements have been revised to reflect the conversion of all units and per unit amounts to common shares and per share amounts as if the conversion had occurred at the beginning of the period presented.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiaries in conformity with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated companies (generally 20 to 50 percent ownership), in which the Company has the ability to exercise significant influence, but neither has a controlling interest nor is the primary beneficiary, are accounted for under the equity method. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method. Under certain criteria indicated in FASB ASC Topic 810—*Consolidation*, a partially-owned affiliate would be consolidated when it has less than a 50% ownership if the Company was the primary beneficiary of that entity. At the present time, the company has no interests in variable interest entities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets, liabilities, revenues and expenses. Actual results could differ from those estimates. These significant estimates and assumptions include estimates of fair value of goodwill and intangibles with indefinite lives for purposes of impairment testing, estimates of fair values of share-based payment arrangements, estimates of valuation allowances related to deferred tax assets, and estimates of contingent liabilities related to business acquisitions. Determining the fair value of the Company's common units for purposes of valuing business combinations and share-based payments requires making complex and subjective judgments. The Company's approach to the valuation of its common units is based on an analysis of arm's-length transactions in ownership interests in the Company to determine the implied equity value for each transaction. There is inherent uncertainty in making these estimates. Although it is reasonable to expect that the completion of the IPO will add value to the units because they will have increased liquidity and marketability, the amount of additional value can be measured with neither precision nor certainty.

Revenue Recognition

Consulting

The Company derives revenue from providing software development to outside parties on a consulting basis. Revenues for consulting services are generally recognized as the services are performed.

Software as a Service

The Company also derives revenue from providing software licenses for an online trading platform. There is no downloadable software, distribution or technology delivered to consumers. Software is provided under a hosting arrangement, revenue is accounted for as software as a service arrangement since the customer does not have the contractual right to take possession of the software at any time during the hosting period. The Company

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

recognizes revenue for these software licenses when the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery of the product has occurred; (3) the fee is fixed or determinable; and (4) collection is probable.

Brokerage

Transactions in securities, commissions and fees and related expenses are recorded on a trade date basis.

Commissions and fees are derived primarily from commissions and fees are derived primarily from facilitating securities transactions on behalf of clients.

Prime derives revenue from (1) the mark-up generated by brokers executing fixed income and equity transactions on a riskless principle basis, and (2) commissions generated by brokers executing equity trades on behalf of clients, which are settled with the client's clearing firm.

Futures derives revenue from commissions generated by (1) facilitating over-the-counter agency transactions on behalf of clients and (2) by broker's executing exchange traded futures and options transactions on behalf of clients.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Securities Transactions

Receivables from brokers, dealers and clearing organizations include amounts receivable for cash deposits, amounts receivable on open transactions from clearing organizations and commissions and fees receivable. Commissions and fees and related expenses for all securities transactions are recorded on a trade date basis.

Concentration of Credit Risk

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of cash and cash equivalents and receivables from brokers, dealers and clearing organizations.

The Company maintains its cash accounts with high quality financial institutions. Although the Company currently believes that the financial institutions, with which it does business, will be able to fulfill their commitments to it, there is no assurance that those institutions will be able to continue to do so.

Software Development Costs

The Company accounts for the costs to develop software that it plans to market externally in accordance with FASB ASC 985-20, *Software—Costs of Software to be Sold, Leased, or Marketed*, whereby costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. Technological feasibility is established upon completion of a working model. The Company amortizes the costs of software obtained or developed to be sold, leased or marketed over three years.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations, Goodwill and Other Intangibles

Assets acquired and liabilities assumed are recorded at their fair values on the date of acquisition. The cost to be allocated in a business combination includes consideration paid to the sellers, including cash and the fair values of assets acquired and liabilities assumed. Both direct (e.g., legal and professional fees) and indirect costs of the business combination are expensed as incurred. Certain agreements to acquire entities include potential additional consideration that is payable, contingent on the acquired company maintaining or achieving specified earnings levels in future periods. The fair value of any contingent consideration would be recognized on the acquisition date with subsequent changes in that fair value reflected in income. The consolidated financial statements and results of operations reflect an acquired business from the date of acquisition.

An intangible asset is recognized as an asset apart from goodwill if it arises from contractual or other legal rights or if it is separable (i.e., capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged).

The judgments that are made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. Traditional approaches used to determine fair value include the income, cost and market approaches. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach or combination of approaches ultimately selected is based on the characteristics of the asset and the availability of information.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually, on July 31. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

In December 2010, the FASB issued Accounting Standards Update ("ASU") 2010-28, *Intangibles Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts, a consensus of the FASB Emerging Issues Task Force (Issue No. 10-A*). ASU 2010-28 modifies Step 1 of the goodwill impairment test under ASC Topic 350 for reporting units with zero or negative carrying amounts to require an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are adverse qualitative factors, including the examples provided in ASC Paragraph 350-20-35-30, in determining whether an interim goodwill impairment test between annual test dates is necessary. The ASU allows an entity to use either the equity or enterprise valuation premise to determine the carrying amount of a reporting unit. ASU 2010-28 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2010 for a public company.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other intangibles with definite lives are amortized over their useful lives. All other intangibles are assessed at least annually for impairment. If impairment is indicated, an impairment loss is calculated as the amount by which the carrying value of an intangible asset exceeds its estimated fair value.

In July 2012, the FASB issued ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment.* This ASU allows an organization to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test for indefinite-lived intangible assets. An organization that elects to perform a qualitative assessment is required to perform the quantitative impairment test for an indefinite-lived intangible asset if it is more likely than not that the asset is impaired. The ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company adopted the provisions of this ASU as of April 24, 2012. The Company adoption of the ASU did not have a material impact on its consolidated financial statements.

Premises and Equipment

Furniture, fixtures and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Leasehold improvements are carried at cost and are depreciated over the remaining term of the leases.

Deferred Offering Costs

Deferred offering costs consist principally of legal and accounting costs incurred through the balance sheet date that are directly related to the Company's intended IPO and that will be charged to members' equity upon the receipt of the capital raised. Should the IPO prove to be unsuccessful, these deferred costs as well as additional expenses to be incurred will be charged to operations.

Share-based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, *Compensation—Stock Compensation* ("ASC 718"). ASC 718 addresses all forms of share-based plan awards including units issued under the Company's 2012 Equity Plan and 2012 Stock Incentive Plan. Under ASC 718 awards result in a cost that is measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest and will result in a charge to operations over the requisite service period. The awards with graded vesting, the Company recognizes stock—based compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.

The Company accounts for equity-based transactions with nonemployees in accordance with ASC Subtopic 505-50, *Equity—Equity-Based Payments to Non-Employees.* All transactions with nonemployees in which goods or services are received in exchange for equity-based instruments are accounted for based on the fair value of the consideration received or the fair value of the equity-based instruments issued, whichever is more reliably measurable. The Company generally bases the fair value on the equity-based instruments issued. The Company measures the fair value of the equity-based instruments issued in exchange for goods or services at the earlier of the date on which the counterparty completes the performance obligation or the date on which a performance commitment is reached. A performance commitment exists at the date of grant if it is probable that the counterparty will perform under the contract because the counterparty is subject to disincentives in the event of nonperformance that are sufficiently large to make performance probable at that date.

Table of Contents

**LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is generally based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition, as well as specific appraisal in certain instances. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset as estimated using a cash flow model. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the Consolidated Balance Sheet, and revenues and expenses are translated at average rates of exchange during the fiscal year. Gains or losses on translation of the financial statements of a foreign operation, where the functional currency is other than the U.S. Dollar, together with the after-tax effect of exchange rate changes on intercompany transactions of a long-term investment nature, are reflected as a component of accumulated other comprehensive income (loss) in members' equity. Gains or losses on foreign currency transactions are included in other general and administrative expenses in the consolidated statement of operations and comprehensive income (loss).

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which developed common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs). This ASU clarifies how a principal market is determined, addresses the fair value measurement of instruments with offsetting market or counterparty credit risks and the concept of valuation premise and highest and best use, extends the prohibition on blockage factors to all three levels of the fair value hierarchy, and requires additional disclosures. For public entities, the ASU was effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The adoption of the ASU resulted in the Company presenting additional disclosures related to fair value measurements in note 3 to the consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Fair Value Measurements

Fair Value Hierarchy

The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- **Level 1 Inputs:** Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the Company at the measurement date.
- **Level 2 Inputs:** Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- **Level 3 Inputs:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Determination of Fair Value

The categorization of an asset or liability within the fair value hierarchy is based on the inputs described above and does not necessarily correspond to the Company's management's perceived risk of that asset or liability. Moreover, the methods used by management may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments and nonfinancial assets and liabilities could result in a different fair value measurement at the reporting date. Descriptions of the valuation methodologies, including the valuation techniques and the input(s) used in the fair measurements for assets and liabilities on a recurring and nonrecurring basis are itemized below.

Contingent consideration payable

The Company's contingent consideration is classified as a liability and is initially measured at fair value in accordance with ASC Paragraph 805-30-25-5, and is remeasured at fair value at the end of each reporting period until the contingency is resolved with changes in fair value recognized in earnings. The Company utilizes a market approach to determine fair value and relies on Level 3 inputs and fair value measurements are therefore considered Level 3 measurements. Unobservable inputs consist of valuations based upon transactions in the Company's common shares, discount for lack of marketability, cost of equity, and estimates of the probability of an IPO occurring by a certain date.

Intangible assets

Intangible assets and long-lived assets held and used are measured at fair value in accordance with ASC Subtopic 360-10, *Property, Plant, and Equipment—Overall,* if a step 2 test is required. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected approach(es) is based on the specific attributes of the long-lived asset. Property, plant, and equipment is typically

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

valued using a cost approach, while intangible assets are usually valued with an income approach. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are therefore considered Level 3 measurements. Unobservable inputs usually consist of discount rates, customer attrition rates, growth rates, royalty rates, contributory asset charges, and profitability assumptions.

Goodwill

Goodwill is tested annually for impairment on July 31 in accordance with ASC Topic 350, *Intangibles—Goodwill and Other.* Step 1 entails a comparison of the fair value of the recoverable amount of each reporting unit to its carrying amount. An income approach is used to derive the fair value of each reporting unit's fair value. Unobservable inputs include discount rates, growth rates, and prospective financial information.

Recurring Fair Value Measurements

The following table presents, for each level within the fair value hierarchy, the Company's recurring fair value measurements for assets and liabilities as of December 31, 2012:

		Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Contingent consideration payable	$1,561,000	$ —	$ —	$1,561,000

Non-Recurring Fair Value Measurements

The following table presents for each level within the fair value hierarchy, the Company's non-recurring fair value measurements as of December 31, 2012:

		Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3	Total (Losses)
Other intangible assets(1)	$18,740,125	$ —	$ —	$18,740,125	$ (86,000)
Goodwill(2)	13,182,936	—	—	13,182,936	(1,464,652)
	$31,923,061	$ —	$ —	$31,923,061	$(1,550,652)

(1) In accordance with ASC Subtopic 360-10, intangible assets were written down to their fair value, resulting in an impairment.
(2) In accordance with ASC Subtopic 350-20, goodwill was written down to its implied fair value resulting in an impairment.

Transfers between Level 1 and Level 2

There were no transfers of financial assets or liabilities between Level 1 or Level 2, or between Level 2 and Level 3 during the period ended December 31, 2012.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of Recurring Fair Value Measurements within Level 3

The following table presents a summary of changes in the fair value of the Company's Level 3 liabilities for the period ended December 31, 2012:

	Contingent Consideration Payable
Opening balance	$ —
Transfers into Level 3	—
Transfers out of Level 3	—
Total gains or losses for the period included in earnings:	
Realized (gains) losses	(1,545,000)
Unrealized (gains) losses	(129,000)
Purchases, issues, sales, and settlements:	
Purchases	—
Issues	11,990,000
Sales	—
Settlements	(8,755,000)
Closing balance	$ 1,561,000
Change in unrealized gains and losses for the period included in earnings at period end	$ 129,000

Description of Valuation Processes for Recurring and Nonrecurring Fair Value Measurements Categorized within Level 3

Intangible assets

The Company measures intangible assets upon a business combination or acquisition at fair value on the date of the transaction. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected approach(es) is (are) based on the specific attributes of the long-lived asset. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are therefore considered Level 3 measurements. The Company utilized the following valuation processes for the fair value of intangible assets as appropriate (1) the replacement cost method of the cost approach, (2) the relief from royalty method of the market approach, the (3) "with and without" method of the income approach, or (4) the excess earnings method of the income approach.

Goodwill

The Company tests goodwill for impairment annually and more frequently if circumstances warrant. The Company determines the fair value of its reporting units using an income approach. Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company estimates future cash flows using the reporting unit's internally developed five-year forecast and includes a terminal value calculated using a long-term future growth rate based on current and expected future economic conditions. The discount rate is derived by using a capital asset pricing model and approximates the Company's expected cost of equity financing.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 3 Fair Value Measurements Using Significant Unobservable Inputs

The following table presents quantitative information about Level 3 fair value measurements at December 31, 2012:

	Fair Value at December 31, 2012	Valuation Technique	Unobservable Inputs	Inputs
Recurring Fair Value Measurements				
Contingent consideration payable	$1,561,000	Market approach	Probability of IPO	90%
			Cost of equity	20%
			Discount for lack of marketability	12.5%
Non-recurring Fair Value Measurements				
Amortizing intangible assets				
Trading platform (GMA)	$16,332,333	Cost approach – replacement cost method	Lines of code per function point	16-320
			Obsolesence factor	5%
			Worker month cost	$6,667-$17,917
			Monthly overhead amount (% of month cost)	25%
			% of non-billable time	10%
			No. of function points coded per worker-month	23
			Work distribution	2%-30%
Software (Fundsolve)	$1,541,765	Cost approach – replacement cost method	No. of function points coded per worker month	23
			Obsolesce factor	55%
			Worker month cost	$8,333-$15,833
			Work distribution	5%-45%
Software (Liquidview)	$ 1,500,000	Market approach – actual transaction	Purchase price	$1,500,000
Client relationships	$ 1,261,000	Income approach – excess earnings method	Annual revenue growth	3%
			Annual decay factor	20%
			Income tax rate	40%
			Discount rate	21%
			Recruitment costs	25%

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Fair Value at December 31, 2012	Valuation Technique	Unobservable Inputs	Inputs
Non-compete agreements	$ 646,000	Income approach – with-and-without method	Annual revenue growth	3%
			Annual decay factor	20%
			Income tax rate	40%
			Discount rate	21%
			Recruitment costs	25%
Indefinite-lived intangible assets				
Broker licenses	$ 163,000	Cost approach – replacement cost method	Transaction costs	$ 155,000- $ 165,000
Pending patent	$ 36,545	Cost approach	Transaction costs	
Trade marks	$ 2,000	Market approach – relief from royalty method	Royalty rate Growth rate Discount rate	1% 3% 20%
Goodwill	$13,182,936	Market approach – residual from purchase price method		

Sensitivity to Unobservable Inputs and Relationships for Recurring Fair Value Measurements Categorized within Level 3

Internally developed valuation models or discounted cash flows are typically used to determine the fair value of Level 3 measurements. Significant unobservable inputs are identified to determine if changes could have a significant effect on fair value. In general, the values of the intangible assets valued at replacement cost would change by a smaller percentage than the change in the unobservable inputs, as these assets incorporate fixed costs that would not be affected by variable changes in the unobservable inputs.

Contingent consideration payable

The contingent consideration for Fundsolve is based on the probability of an IPO by January 1, 2014, which management considers to have a 90% probability. If the probability of an IPO were to change, the value of the contingent consideration could change materially.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Assets and Financial Liabilities Not Measured At Fair Value

The following table summarizes the carrying amounts and estimated fair values as of December 31, 2012 of the Company's financial assets that are not measured at fair value either on a recurring or nonrecurring basis:

	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	$1,380,078	1,380,078	—	—	1,380,078
Note receivable from related party	$2,250,000	—	—	2,255,000	2,255,000

The following is a description of the principal valuation methods used by the Company for those financial assets that are not measured at fair value either on a recurring or non-recurring basis:

Cash and cash equivalents

Fair value of cash and due from banks approximates the carrying amount.

Note receivable from related party

In estimating the fair value of the note receivable from a related party, the Company uses a discounted cash flow model. Fair value is estimated by discounting the anticipated cash flows from the loans, assuming future prepayments and using market interest rates for new loans with comparable credit risk.

(4) Note Receivable from Related Party—QuantX Management, LLP

On June 11, 2012, the Company entered into a demand promissory note with Liquid Trading Int'l LLP, which changed names to QuantX Management, LLP effective January 22, 2013 ("QuantX"), in the amount of $5,000,000, payable upon demand, but in any event no later than May 15, 2013. This note bears interest of 3.0% which is payable upon demand. At December 31, 2012, there was no accrued interest receivable included in other current assets related to this note. QuantX repaid an aggregate of $2,750,000 of principal through the year ended December 31, 2012.

(5) Founders' Contributions, Business Combinations and Asset Acquisitions

Founders Contributions

In accordance with the Company's Limited Liability Company Agreement (as amended, "LLC Agreement") and pursuant to individual Founders Contribution Agreements, all dated April 24, 2012, Brian Ferdinand ("Ferdinand"), Richard Schaeffer ("Schaeffer") and Robert Keller ("Keller"), individually or through entities controlled by them, (the "Founders") agreed to contribute their membership interest in Prime (100%), Futures (100%), and Institutional (97.5%) ("the contributed entities") identified in the Company's LLC Agreement for the initial membership interests of the Company. The contributions for Prime, Futures and Institutional were each subject to approval from certain regulatory agencies. As a result, on April 24, 2012, the fair value of each of the contributed entities membership interest was determined and recorded as a capital contribution and subscription receivable. In accordance with ASC Topic 805—*Business Combinations*, the Company, as the accounting acquirer recorded these contributions as business combinations by applying the acquisition method on the acquisition date.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Liquid Prime Holdings, LLC

Pursuant to a Contribution Agreement dated April 24, 2012 between the Company and Ferdinand, Ferdinand contributed all of his membership interests in LPH, representing 100% of the membership interests, to the Company on October 5, 2012, the date of regulatory approval by FINRA. The results of LPH have been included in the Company's consolidated financial statements from October 5, 2012, the effective date of the acquisition. LPH is one of the entities that comprise the Predecessor.

As a result of the acquisition, the Company expects to utilize Prime to provide prime brokerage services to users of its trading platform to facilitate ancillary execution services as a result of the Company's technology business, to leverage the institutional relationships to pass on savings for execution services to the Company's customers and to enable the Company to provide the facilitation of broker assisted over-the-counter transactions on our customers' behalf.

The assets and liabilities of LPH were recorded on the acquisition date, October 5, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for LPH and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Equity instruments (3,382,829 common shares of the Company)	$ 116,687
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 936,230
Fixed assets	258,588
Other receivables	911,714
Accrued expenses	(194,515)
Other liabilities	(12,194)
Capital advances prior to regulatory approval	(1,850,000)
Due to related party	(48,136)
Identifiable intangible asset - broker license	115,000
Goodwill	4,600
Deferred tax liability	(4,600)
	$ 116,687

On the acquisition date, the fair value of LPH's net identifiable assets were $116,687, which resulted in a reduction of $484,876 to the provisional amount recognized as a capital contribution and satisfaction of the subscription receivable in the accompanying consolidated balance sheet. The goodwill of $4,600 arises from the recognition of deferred income taxes resulting from the difference between the income tax basis of the assets and the fair value allocated pursuant to ASC 805.

The fair value of the 3,382,829 common shares issued as consideration for LPH was determined based on a cost approach valuation of the net assets received in exchange for the common units as of the acquisition date. The U.S. broker license intangible asset was valued using a replacement cost methodology under the cost approach.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The amounts of LPH's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from October 5, 2012 to December 31, 2012	$ 642,885	$(248,489)
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$1,080,054	$(995,389)

Liquid Futures, LLC

Pursuant to a Founders Contribution Agreement dated April 24, 2012 between the Company and Ferdinand and Schaeffer, Ferdinand and Schaeffer each contributed all of their membership interests in Futures to the Company on May 9, 2012, effective with the date of regulatory approval of the National Futures Association.

The results of Futures have been included in the Company's consolidated financial statements from May 9, 2012, the effective date of the acquisition. As a result of the acquisition, the Company expects to utilize Futures to facilitate ancillary execution services to users of the Company's technology business, to leverage the institutional relationships to pass on savings for execution services to the Company's customers and to enable the Company to provide the facilitation of broker assisted over-the-counter transactions on our customers' behalf.

The assets and liabilities of Futures were recorded on the acquisition date, May 9, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for Futures and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Equity instruments (3,315,794 common shares of the Company)	$1,378,707
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$1,374,400
Prepaid expenses	1,840
Other receivables	390,931
Accrued expenses	(10,000)
Due to related party	(109,464)
Capital advances prior to regulatory approval	(300,000)
Identifiable intangible asset - broker license	31,000
Goodwill	1,240
Deferred tax liability	(1,240)
	$1,378,707

On the acquisition date, the fair value of Futures was $1,378,707, which resulted in a reduction of $6,623 to the provisional amount recognized as a capital contribution and satisfaction of the subscription receivable in the accompanying consolidated balance sheet. The goodwill of $1,240 arises from the recognition of deferred income taxes resulting from the difference between the income tax basis of the assets and the fair value allocated pursuant to ASC 805.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the 3,315,794 common shares issued as consideration for Futures was determined based on a cost approach valuation of the net assets received in exchange for the common shares as of the acquisition date. The futures broker license intangible asset was valued using a replacement cost methodology under the cost approach.

The amounts of Future's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from May 9, 2012 to December 31, 2012	$572,601	$(271,842)
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$678,186	$(337,253)

Liquid Trading Institutional LLP

Pursuant to a Contribution Agreement dated April 24, 2012, among the Company, Liquid Trading Holdings Limited and CMK Keller Holdings, LLC (entities controlled by Keller), a Contribution Agreement dated April 24, 2012 among the Company, Ferdinand Holdings, LLC and LT World Limited (entities controlled by Ferdinand) and a Contribution Agreement dated June 5, 2012 among the Company, Solomon Yakoby and Liquid Trading Holdings II LLC (an entity controlled by Yakoby) (collectively referred to as "Selling Members of Institutional"), the Selling Members of Institutional contributed all of their membership interests in Institutional, representing 100% of the outstanding membership interests, to the Company on July 2, 2012, effective upon receipt of regulatory approval from the FCA (then known as the Financial Services Authority).

On June 7, 2012, the Company issued 169,453 common shares for the purchase of the Yakoby 2.5% interest in Institutional, with a fair value of $425. As a result of the acquisition, the Company expects to utilize Institutional to facilitate ancillary execution services to users of the Company's technology business and to leverage the institutional relationships to pass on savings for execution services to the Company's customers.

The assets and liabilities of Institutional were recorded on the acquisition date, July 2, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for Institutional and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Equity instruments (3,450,098 common shares of the Company)	$17,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Identifiable intangible asset-broker license	$17,000
Goodwill	680
Deferred tax liability	(680)
	$17,000

The fair value of the 3,450,098 common shares issued as consideration for Institutional was determined based on a cost approach valuation of the net assets received in exchange for the common shares as of the acquisition date. The UK broker license intangible asset was valued using a replacement cost methodology under

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the cost approach. The goodwill of $680 arises from the recognition of deferred income taxes resulting from the difference between the income tax basis of the assets and the fair value allocated pursuant to ASC 805.

The amounts of Institutional's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from July 2, 2012 to December 31, 2012	$ —	$(80,176)
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$ —	$(80,176)

Liquid Partners, LLC (formerly known as Centurion Capital Group, LLC)

On December 30, 2011, Guernsey pursuant to a Membership Interest Purchase Agreement ("Centurion Agreement") purchased all of the issued and outstanding membership interests in Centurion for a maximum purchase price of $13,600,000. The selling members of Centurion received $1,000 in cash and are to be paid the remainder of the purchase price in shares of Guernsey or another holding company to be formed upon the earlier to occur of (i) the IPO of the holding company and (ii) January 1, 2014. The selling members were to receive the purchase price in shares broken down as follows: $8,331,096, with the remainder of $5,268,904 contingent upon certain EBITDA thresholds, as defined in the Centurion Agreement. Centurion was acquired by the Company to be an early adopter and beta tester of its technology. Centurion provided the Company with an established customer base and a select group of experienced traders and fund managers to generate valuable user feedback in the beta testing and development of the Company's technology.

On May 11, 2012, Guernsey assigned and transferred all of its interest, rights and obligations under the Centurion Agreement to the Company. Guernsey is one of the entities that comprise the Predecessor.

The assets and liabilities of Centurion were recorded on the acquisition date, May 11, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for Partners and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Contingent consideration payable	$10,300,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 482
Due from affiliates	300,000
Accrued expenses	(4,452)
Due to affiliates	(407,766)
Loan payable	(81,700)
Identifiable intangible assets:	
Customer relationships	1,254,000
Non-compete agreement	739,000
Goodwill	8,580,157
Deferred tax liability	(79,721)
	$10,300,000

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The customer relationships were valued using the excess earnings method of the income approach. The non-compete agreement was valued using the "with and without" method of the income approach.

The fair value of the 951,432 common shares issued as consideration for Centurion was determined based on an interpolated value derived from arm's length market transactions in the Company's stock that valued the Company at approximately $138 million on May 11, 2012 and approximately $179 million as of July 23, 2012.

The goodwill of $8,580,157 arising from the acquisition consists of the value created by having Centurion's trader base to both test the Company's trading platform as it was developed, and to provide the initial product customer base that would demonstrate that the product was accepted and being used by the trading community, which will assist us in creating a more viable commercial product. In addition, a portion of the goodwill arises from the recognition of deferred income taxes resulting from the difference between the income tax basis of the assets and the fair value allocated pursuant to ASC 805. The goodwill is not deductible for corporate income tax purposes as this was a tax-free exchange.

On the acquisition date, the Company recorded an obligation to the former members of Centurion totaling $8,331,000 for the future obligation payable upon IPO and $1,969,000 of contingent common shares payable, resulting in an aggregate liability to the selling members of $10,300,000. The fair value of the contingent consideration payable of $10,300,000 was estimated by applying the market approach. That measure was based on significant inputs that were not observable in the market, which ASC Topic Paragraph 820-10-35 refers to as Level 3 inputs. Key assumptions include:

- The sellers received shares in the Company based on a scenario analysis where the probability of an IPO by January 1, 2014 was weighted at 90%, and 10% was the probability weighting for the IPO occurring after that date, and
- The scenario analysis assumed the probability of achieving the full contingent consideration payable of $13,600,000 at 50% for the Company's IPO occurring before January 1, 2014.

The scenario analysis that assumed the probability of an IPO after January 1, 2014 had two components: (1) shares equal to a 3.029% ownership interest in the Company, and (2) an earnout provision in which the sellers would receive an additional 1.916% ownership interest in the Company upon the achievement of certain targets. The Company determined the probability of achieving the earnout targets was 50% resulting in a calculated purchase price for Centurion of $10,300,000.

On July 21, 2012, the Centurion Agreement was amended to accelerate the share issuance contemplated in the original agreement and calls for the Company to issue an aggregate number of common shares equal to 7.60% of the aggregate issued and outstanding equity securities of the Company at such date (or 951,432 common shares) to the selling members of Centurion for the purchase price and eliminated all prior purchase price measurements and the contingent consideration. The Company determined the fair value of the 951,432 common shares which were issued by the Company to the selling members of Centurion to be $8,755,000. The Company recognized a gain of $1,545,000 as a result of remeasuring the contingent consideration payable. The gain is included in non-operating income in the accompanying consolidated statement of operations for the period ended December 31, 2012.

In addition, the Company determined it was necessary to evaluate the related goodwill and identifiable intangible assets of Partners acquired on May 11, 2012 for impairment as a result of the decrease in the contingent consideration. The Company performed an analysis to determine the fair value of Partners on July 21, 2012, and concluded that the carrying amount of goodwill exceeded its fair value and recognized an impairment charge of $1,464,652 in the consolidated statement of operations. In addition, the Company recognized an impairment charge of $86,000 with respect to the non-compete agreement and customer relationships identifiable intangible assets.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The amounts of Centurion's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from May 11, 2012 to December 31, 2012	$ —	$(552,825)
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$ —	$(546,827)

Business Combinations

Fundsolve Limited

Pursuant to a Share Purchase Agreement dated April 23, 2012, the shareholders ("Sellers") of Fundsolve Limited ("Fundsolve") agreed to sell all of their units to the Company. As a result of the acquisition, the Company acquired a portfolio risk management company serving mid to large-sized hedge funds that utilized its proprietary risk management technology which the Company will integrate into its technology platform.

The sale of the shares was conditioned upon the successful integration of the software of Fundsolve and Green Mountain Analytics, LLC ("GMA") pursuant to a Systems Integration Agreement, dated February 23, 2012. The integration of the software was completed on July 31, 2012 and the shares were transferred to the Company on such date (the "Completion Date"). In addition, on the Completion Date the former directors of Fundsolve resigned and new directors were appointed by the Company.

In consideration for the shares, the Sellers will receive an aggregate of 1% of the issued equity capital of the Company upon (i) the initial public offering or admission to trading on any stock exchange of the Company ("Flotation") or (ii) January 1, 2014. The 1% of the issued equity capital is determined as of such Flotation and includes any units (or the equivalent thereof) issued in connection with or at the time of Flotation. In the event that Flotation occurs prior to January 1, 2014, the Sellers will receive their percentage interest in common units of the Company (or equivalent thereof) (the "Consideration Shares") immediately prior to such Flotation. If Flotation occurs within 12 months of the Completion Date, then 15% of the Consideration Shares will instead be retained by the Company for a period of 12 months as security against breach of warranties or restrictive covenants by the Sellers.

In the event that there has been no initial public offering by January 1, 2014, the Sellers will receive their percentage interest in Common Units of the Company. In addition, in the event that there has been no initial public offering by January 1, 2014 and the equity to be issued to the Sellers as consideration for the Shares is independently valued at less than $2.5 million, the Company may elect instead to either pay $2.5 million in cash to the Sellers or transfer the Fundsolve software to an entity to be owned 51% by the Company and 49% by the Sellers with profits to split equally.

If another company becomes the direct or indirect holding company of the Company and Fundsolve, or the Company is merged into another company or is succeeded by a successor entity, then at Seller's option, the Sellers may receive their consideration in common units (or their equivalent) in such holding company.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The assets and liabilities of Fundsolve were recorded on the acquisition date, July 31, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for Fundsolve and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Contingent consideration arrangement	$1,690,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 7,698
Fixed assets	2,188
Prepaid expenses and other current assets	13,487
Accounts payable and accrued expenses	(27,373)
Identifiable intangible assets:	
IP Licenses	12,000
Software	1,537,658
Goodwill	206,328
Deferred tax liability	(61,986)
	$1,690,000

The software and IP license intangible assets were valued using the replacement cost methodology of the cost approach. The goodwill of $206,328 arising from the acquisition consists primarily of the synergies that will be created by integrating Fundsolve's Nemos trading and performance tracking software into the Company's trading platform. The goodwill is not deductible for corporate income tax purposes, as this is a controlled foreign corporation.

The Company's initial accounting for the Fundsolve business combination was incomplete at the acquisition date. As a result, the Company recorded a provisional amount of $1,458,000 for the software acquired in this acquisition based in part upon management's estimates of time and effort to construct the software under a replacement cost approach. Management finalized its estimate of fair value of the software acquired during the measurement period in accordance with ASC Paragraphs 805-10-25-13 and 25-14 after considering a valuation report for the software from a third party valuation specialist which indicated a fair value of $1,537,658. Accordingly, the Company increased the value of acquired intangible assets and decreased goodwill by $79,658.

The fair value of the contingent consideration payable of $1,690,000 was estimated under the market approach. That measure is based on significant inputs that are not observable in the market, which ASC Topic Paragraph 820-10-35 refers to as Level 3 inputs. The key assumptions included consideration for the stock of Fundsolve and potential cash payment of $2.5 million to the sellers was based on a scenario analysis where management viewed the probability of an IPO by January 1, 2014 at 90%, and a probability an IPO would occur after that date at 10%. The consideration was to be 1% of the common stock of the Company if an IPO has occurred by the target date, with an option to receive 1% of the equity or $2.5 million in cash if the target date was not achieved. As of July 31, 2012, the 1% interest in the Company's stock was estimated to have an estimated fair value of $1,690,000. The fair value of the stock as of the acquisition date was based on an interpolated value derived from arm's length market transactions in the Company's stock that valued the Company at approximately $179 million as of July 23, 2012 and $175 million as of October 23, 2012.

The Company recognized a gain of $129,000 as a result of remeasuring the contingent consideration payable. The gain is included in non-operating income in the accompanying consolidated statement of operations for the period ended December 31, 2012.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The amounts of Fundsolve's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from July 31, 2012 to December 31, 2012	$22,722	$(210,835)
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$56,885	$(265,907)

Green Mountain Analytics, LLC

On August 27, 2012, the Company acquired GMA, a financial software development company serving a diverse set of trading fund demographics with its proprietary trading technology. GMA was acquired pursuant to a Contribution and Exchange Agreement entered into with the members of GMA, including entities that were controlled by Brian Ferdinand and Robert Keller. The Contribution and Exchange Agreement provides that the members of GMA contribute all of their outstanding equity interests in GMA in exchange for an aggregate of 11.75% of the Non-Dilutive Common Units (or 2,038,857 common shares of the Company). Through the Company's acquisition of GMA, it acquired the foundation of the Company's trading technology. Prior to the acquisition, GMA was a financial software development company serving a diverse set of trading fund demographics with its proprietary trading technology.

The assets and liabilities of GMA were recorded on the acquisition date, August 27, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for GMA and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Equity instruments (2,038,857 common shares of the Company)	$19,973,374
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 84,717
Deposit	77,000
Fixed assets	2,625
Current liabilities	(210,543)
Identifiable intangible assets:	
Trade name	2,000
Trading platform	16,332,333
Goodwill	4,338,615
Deferred tax liability	(653,373)
Total purchase price	$19,973,374

The fair value of the 2,038,857 common units issued as consideration for GMA was determined based on their fair value under the market approach. The consideration for the stock of GMA was 11.75% of the common units of the Company. On the acquisition date, the fair value of an 11.75% ownership interest in the Company was estimated to be $19,973,374. The fair value of the stock on the acquisition date was based on an interpolated value derived from arm's length market transactions in the Company's stock that valued the Company at approximately $179 million as of July 23, 2012 and $239 million as of January 21, 2013.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The trade name was valued using the relief from royalty method of the market approach. The trading platform asset was valued using the replacement cost method of the cost approach.

The goodwill of $4,338,615 arising from the acquisition consists primarily of the synergies that will be created by integrating other software acquisitions into the GMA trading platform to develop a larger multifunctional trading platform and create a more commercially viable product. The goodwill is not deductible for corporate income tax purposes as this was a tax-free exchange. In addition, a portion of the goodwill arises from the recognition of deferred income taxes resulting from the difference between the income tax basis of the assets and the fair value allocated pursuant to ASC 805.

The amounts of GMA's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from August 27, 2012 to December 31, 2012	$ —	$(2,392,766)
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$758,101	$(2,351,038)

LTI, LLC

In January 2012, LTI and QuantX entered into a Use of Proceeds Agreement which was amended in the same month, which state that QuantX, the Class A and managing Member of LTI, which at that time was indirectly and jointly controlled by Brian Ferdinand, Richard Schaeffer and Robert Keller, agreed to procure the Class B Units in exchange for equal shares in a private entity if the IPO is not consummated as described in the Use of Proceeds Agreement.

On January 10, 2012, pursuant to the Use of Proceeds Agreement, between LTI and QuantX as amended on January 19, 2012, the Class B Members may exchange their Class B Units for shares in Guernsey or another entity to be formed to hold, directly or indirectly, certain rights of QuantX, GMA and other entities (LHG or the "Holding Company") upon the Holding Company's admission to trading on AIM or any other stock exchange ("Admission").

Pursuant to the Contribution and Exchange Agreement dated September 30, 2012, the Class B members of LTI contributed all of their outstanding membership interests in LTI in exchange for an aggregate of 2.855% of the Common Units of the Company. In addition, the Class A member of LTI contributed all of its membership interest in LTI and agreed to receive no equity of the Company upon the merger.

The reason for the acquisition was to consolidate the ownership of LTI's remaining receivables and investor group with the Company.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The assets and liabilities of LTI were recorded on the acquisition date, September 30, 2012, at their respective fair values, in accordance with ASC Topic 805. The following table summarizes the consideration paid for LTI and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Equity instruments (495,821 common shares of the Company)	$5,078,588
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 20,820
Receivable/(Payables) from/(to) related parties:	
Due from Founders related to Futures	1,425,000
Due from Founders related to Prime	970,000
Due from Founders related to Guernsey	589,713
Due from QuantX Management, LLP	441,087
Due from Ferdinand Trading LLC	116,000
Net receivable from affiliates	3,541,800
Goodwill	1,515,968
	$5,078,588

The fair value of the 495,821 common shares issued as consideration for LTI was determined based on their fair value under the market approach. The consideration for the stock of LTI was 2.855% of the common shares of the Company. On the acquisition date, the fair value of a 2.855% ownership interest in the Company was estimated to be $5,078,588. The fair value of the stock as of the acquisition date was based on an interpolated value derived from arm's length market transactions in the Company's stock that valued the Company at approximately $179 million as of July 23, 2012 and $239 million as of January 21, 2013.

The goodwill of $1,515,968 arising from the acquisition consists of the excess of the purchase price over the tangible assets of the business and was attributable to the synergy of consolidating LTI's remaining receivables and investor group with the Company. The Class B members of LTI were independent, strategic investors with industry experience and knowledge about the technology needs of financial brokers. Their experience and knowledge, along with their ability to directly provide and assist in capital raising activities, as well as the consolidation of the investor group with the Company, were factors that contributed to the goodwill associated with this acquisition. The goodwill is not deductible for corporate income tax purposes as this was a tax free exchange.

After the acquisition, the Company determined that the receivables that were payable by the Founders to LTI, of $2,984,713 would not be repaid and were recorded as distributions to the Founders in the consolidated statement of changes in members' equity.

The amounts of LTI's revenue and earnings included in the Company's consolidated statement of operations for the period ended December 31, 2012 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2012 are as follows:

	Revenue	Earnings (loss)
Actual from September 30, 2012 to December 31, 2012	$ —	$ —
2012 supplemental pro forma (unaudited):		
January 1, 2012 to December 31, 2012	$ —	$(264,050)

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asset Acquisitions

Tragara Alpha Partners LLC

On April 27, 2012, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Tragara Alpha Partners LLC ("Tragara") whereby the Company acquired the intellectual property of Tragara. Tragara is a specialized software company that developed a proprietary algorithmic trading program for hedge fund managers its intellectual property ("IP"). The Company issued 868,338 common shares (previously 5% of its Class A Common Non-Dilutive Shares) to Samuel Gaer, the former Chief Executive Officer and a former director of the Company and the sole shareholder of Tragara, as consideration for the purchase of the Tragara IP.

This acquisition was accounted for in accordance with ASC Section 845-10-S99 – *Nonmonetary Transactions – SEC Staff Guidance*. This guidance provides that nonmonetary assets exchanged by a shareholder or promoter for part of a company's common shares just prior to a first-time public offering should be recorded at the transferor's historical cost basis as determined under U.S. GAAP. The development of the IP was not performed in connection with any existing entity, but rather was developed over time by the sole shareholder of Tragara. No record keeping was maintained to support the historical cost basis of the IP and as a result, the Company recorded no basis for this nonmonetary asset when exchanged for 5% of the Company's Class A Common Non-Dilutive Shares.

Liquidview

On July 20, 2012, the Company entered into an Asset Purchase Agreement with Ferdinand Trading, LLC and Ferris Ventures, LLC for the purchase of intellectual property which was the infrastructure that supported the software program "Liquidview". As consideration for this purchase, the Company paid $1,500,000 in cash on the acquisition date, which the Company considered to be objectively measureable pursuant to ASC Subtopic 845-10-599.

(6) Goodwill and Other Intangible Assets

Acquired Intangible Assets

	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:				
Software and trading platform	3 years	$ 19,374,098	(2,244,378)	17,129,720
Client relationships(1)	3 years	1,261,000	(175,140)	1,085,860
Non-compete agreements(1)	Life of agreement, 24 months	646,000	(323,000)	323,000
Total		$ 21,281,098	(2,742,518)	18,538,580
Indefinite-lived intangible assets:				
Broker licenses	N/A	$ 163,000	—	163,000
Patents pending	N/A	36,545	—	36,545
Trade names	N/A	2,000	—	2,000
Total		$ 201,545	—	201,545

(1) Gross and net carrying amounts reduced by $86,000 in total due to impairment.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aggregate amortization expense for amortizing intangible assets was $2,742,518 for the year ended December 31, 2012. Estimated amortization expense for the next five years is: $7,201,366 in 2013, $6,878,366 in 2014, $4,508,883 in 2015, and $— thereafter.

Goodwill

The Company performed its annual goodwill impairment test as of December 31, 2012. The Company performed a qualitative assessment of each reporting unit and determined that is was not more-likely-than-not that the fair value of each reporting unit was less than its carrying amount. As a result, the two-step goodwill impairment test was not required.

During the year, the Company determined it was necessary to evaluate the goodwill and related identifiable intangible assets of Partners acquired on May 11, 2012 for impairment as a result of the decrease in the contingent consideration payable. The Company performed an analysis to determine the fair value of Partners on July 21, 2012, and concluded that the carrying amount of goodwill exceeded its fair value and recognized an impairment charge of $1,464,652 in the consolidated statement of operations. In addition, the Company recognized an impairment charge of $86,000 with respect to customer relationships and non-compete identifiable intangible assets.

The changes in the carrying amount of goodwill for the period ended December 31, 2012 is as follows:

Goodwill acquired during the period:	
Partners	$ 8,580,157
Fundsolve	206,328
GMA	4,338,615
LTI	1,515,968
LPH	4,600
Futures	1,240
Institutional	680
Gross goodwill	14,647,588
Accumulated impairment losses	(1,464,652)
Net goodwill as of December 31	$13,182,936

(7) Premises and Equipment

The following is a summary of premises and equipment at December 31, 2012:

	2012
Computer equipment and software	$ 11,198
Furniture and fixtures	276,416
Leasehold Improvements	121,823
	409,437
Less: accumulated depreciation and amortization	(84,152)
Total	$325,285

Depreciation expense during the period ended December 31, 2012 amounted to $19,185.

Table of Contents

**LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(8) Certain Relationships and Related Party Transactions

Amounts recognized from transactions with related parties in the accompanying consolidated balance sheet at December 31, 2012, are as follows:

Assets:	
Note receivable from QuantX Management, LLP	$2,250,000
Due from QuantX Management, LLP	243,030
Due from Ferdinand Capital	116,000
Due from related parties	$ 359,030
Liabilities:	
Due to related parties	$ 61,873

Note Receivable from QuantX Management, LLP

In June 2012, the Company lent QuantX $5,000,000, pursuant to a promissory note payable upon demand, but in no event no later than May 15, 2013. This note bears interest at a rate of 3% per annum, with interest payable upon demand. At December 31, 2012, there was no accrued interest receivable recognized in prepaid expenses and other current assets in the accompanying consolidated balance sheet. International repaid an aggregate of $2,750,000 of principal through the year ended December 31, 2012.

Due to QuantX Management, LLP

During the period ending December 31, 2012, the Company provided payments to GMA on behalf of QuantX in relation to the development of Liquidview. In addition, Partners received payments from QuantX to facilitate payment of operating expenses. LTI also advanced funds to QuantX for various expenses prior to being acquired by LHG. These payments netted to a total $243,030, and are included in Due from related parties in the consolidated balance sheet at December 31, 2012. Ferdinand also has a membership interest in QuantX.

Due to Related Parties

Partners and LHG incurred expenses that were paid by entities owned by Ferdinand. These payments totaled $61,873, and are included in Due to related parties in the consolidated balance sheet at December 31, 2012.

Finder's Fee

The Company paid a finder's fee in connection with a capital contribution from HA Investment III, LLC ("HA Investment") on June 28, 2012 (see Note 11). This finder's fee was paid to Centurion Consulting Partners Inc., an entity owned by Joseph Gamberele, an individual who is also a selling member of Centurion (see Notes 5 and 11). The finder's fee equaled 10% of the capital raised, or $1,250,000, and was recorded as a reduction of capital contributed to the Company in the accompanying consolidated statement of changes in members' equity for the period ended December 31, 2012. HA Investment is an affiliate of and controlled by Douglas Von Allmen, an individual who was also a selling member of Centurion.

The Company also paid a finder's fee on behalf of LTI, LLC associated with capital contributions of $4,250,000 during September 2011. The finder's fee equaled 10% of the capital contributed, or $425,000, and was paid to Centurion Consulting Partners Inc.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized from transactions with related parties in the accompanying consolidated statement of operations for the period ended December 31, 2012, are as follows:

Revenues:	
Software services	$890,432
Expenses:	
Cost of sales, software services	$352,474
Consulting fees	250,000

Consulting fees were related to securing key personnel, identifying strategic partners, securing investment capital and enhancing brokerage and technology services.

Other Related Party Relationships

Certain officers and directors of the Company were also officers and directors of certain entities acquired by the Company or entities with which the Company has business relationships. A former member of the Board of Directors of the Company, Samuel Gaer, is also the chief executive officer of Tragara. Darren Davy, a former director and a Seller of Fundsolve is also a director of the Company. Edward Feigeles, a former member of Centurion, was formerly a director of the Company.

(9) Commitments and Contingencies

Legal Matters

The Company may periodically be involved in litigation and various legal matters that arise in the normal course of business, including proceedings relating to regulatory matters. Such matters are subject to many uncertainties and outcomes that are not predictable. In November 2012, a former employee of the company filed a complaint in the United States District Court for the Southern District of New York against Liquid Holdings Group, Mr. Schaeffer, Mr. Ferdinand and entities controlled by Mr. Schaeffer. Among other claims, the complaint alleges breach of contract, breach of fiduciary duty and workplace violations. This case was voluntarily dismissed and refiled in New York Supreme Court. On March 19, 2013, the parties entered into a binding term sheet that sets forth the general terms of a proposed settlement of the litigation. The terms of a final settlement agreement are currently being negotiated. In accordance with the term sheet, both the Company and its founders will be jointly and severally liable for the settlement amount of $1 million. The Company and its founders have agreed to an apportionment of the settlement amount and the Company has accordingly accrued $250,000 for this settlement at December 31, 2012.

The Company through its subsidiaries entered into a fee arrangement with a law firm which called for the law firm initially billing the Company using a discounted rate, provided that upon the closing of a going public transaction, the law firm is entitled to a payment of the discounted amount plus an additional success fee. The additional fees were not accrued as it was not probable and is contingent upon the successful closing of a going public transaction.

Lease Commitments

The Company has entered into lease and sublease agreements with third parties for certain offices and equipment, which expire at various dates through September 30, 2018. Rent expense for the period ended December 31, 2012 was $629,400, and is recorded as rent expense in the consolidated statement of operations.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes rent expense for escalation clauses, rent holidays, leasehold improvement incentives and other concessions using the straight-line method over the minimum lease term.

Minimum future rental commitments under non-cancelable operating leases follow:

Year Ending December 31,	
2013	$1,087,954
2014	1,127,501
2015	1,158,288
2016	1,189,902
2017	1,222,387
2018 and thereafter	1,090,481
Total	$6,876,513

(10) Employee Agreements and Share-based Compensation

Employment Agreements

The Company has entered into employment agreements with certain executive officers.

Kenneth Shifrin's offer letter with the Company, dated as of August 23, 2012, provided for a base salary of $250,000 that will increase to $350,000 upon completion of the IPO. The letter also provided for a one time signing bonus of $50,000.

Schaeffer's employment agreement with the Company, effective as of December 1, 2012, provided for an initial base salary of $250,000 that will increase to $500,000 upon completion of the IPO. Additionally, Mr. Schaeffer will become entitled to a cash bonus upon the completion of the IPO equal to the difference between his initial base salary and an effective base salary of $500,000 prorated for the amount of time between May 15, 2012 and the date of our initial public offering.

Ferdinand's employment agreement with the Company, effective as of December 1, 2012, provided for an initial base salary of $250,000 that will increase to $500,000 upon completion of the IPO. Additionally, Mr. Ferdinand will become entitled to a cash bonus upon the completion of the IPO equal to the difference between his initial base salary and an effective base salary of $500,000, prorated for the amount of time between May 15, 2012 and the date of our initial public offering.

Brian Storms's ("Storms") employment agreement with the Company, effective December 1, 2012, provided for a base salary of $250,000 that will increase to $500,000 upon completion of the IPO. In addition, the Company granted 760,033 restricted stock units ("RSUs"), which shall vest approximately one-third each on January 1, 2013, December 1, 2013 and December 1, 2014, respectively. Upon termination, Storms would retain all unvested RSUs unless terminated for cause, as defined in the agreement, in which case all unvested RSUs would be forfeited.

Share-based Compensation

Equity grants

During April 2012, the Company entered into a number of capital award agreements pursuant to the Company's 2012 Equity Plan ("2012 Equity Plan"). The 2012 Equity Plan was originated for the purpose of

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

providing designated employees, consultants, board members and managers of the Company with the opportunity to receive common shares and incentive units of the Company. The Company granted 386,093 common shares to several consultants for services rendered with a grant date fair value of $2,404,992. These awards vested immediately on the grant date and were recognized as share-based payments for consulting services in the accompanying consolidated statement of operations for the period ended December 31, 2012.

In addition, the Company granted 1,237,452 common shares to several employees and individuals who committed to participate as directors of the Company upon completion of an IPO with a grant date fair value of $7,943,144. These awards vested immediately on the grant date and were recognized as share-based compensation expense in the accompanying consolidated statement of operations for the period ending December 31, 2012.

On September 30, 2012, the board of managers of the Company granted two share issuances each representing 2% of the aggregate issued and outstanding Shares of the Company to Brian Ferdinand (in the form of Non-dilutive Common Shares, or such if Non-dilutive Common Shares are no longer authorized, Class A Common Shares or the equivalent). The first 2% issuance vested upon the initial submission of a registration statement with the SEC, and the second 2% is issuable upon the registration statement being declared effective by the SEC. On December 10, 2012, the Company granted an aggregate of 356,174 common shares to Ferdinand as a result of the initial submission of a registration statement with the SEC. The 356,174 common shares consisted of 173,667 common shares held in treasury and 182,506 newly issued common shares, with an aggregate grant date fair value of $2,824,744. This award vested immediately on the grant date and was recognized as share-based compensation expense in the accompanying consolidated statement of operations for the period ending December 31, 2012.

On December 18, 2012, the Company and Mr. Ferdinand agreed to adjust the terms of the second issuance, such that Mr. Ferdinand will be entitled to incentive shares, and not common shares, as more fully described below.

On October 23, 2012, the board of managers of the Company approved an award under the 2012 Equity Plan representing 3.4% of the aggregate issued and outstanding common shares of the Company to Schaeffer. The award amounted to 612,911 Common Shares with a grant date fair value of $4,760,000. The award was for services rendered to the Company and vested immediately on the grant date and was recognized as share-based compensation expense in the accompanying consolidated statement of operations for the period ended December 31, 2012.

On December 10, 2012, the Company and Schaeffer agreed to cancel the 612,911 Common Shares issued on October 23, 2012 and issued Schaeffer an incentive unit award, as more fully described below.

The Company determined the fair value of the equity awards granted with consideration given to valuation analysis performed by an unrelated third party valuation specialist retrospectively, utilizing a market approach based on third party purchases of the Company’s shares, adjusted to reflect previous dilutive and non-dilutive share equity awards.

Activity during the periods indicated for grants under the 2012 Equity Plan are as follows:

Grants made during the quarter ended	Number of shares	Weighted average fair value per shares
June 30, 2012	1,623,546	$ 6.37
September 30, 2012	—	—
December 31, 2012	969,085	$ 7.83

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The grant date fair value per share is being recognized as compensation expense over the applicable vesting period. All awards were vested on the grant date.

Restricted stock units

On November 2, 2012, the board of managers approved the establishment of the 2012 Stock Incentive Plan ("2012 Incentive Plan"), to provide employees, directors and advisors an incentive to perform and benefit from increases in the value of the common shares through grants of options, stock appreciation rights, restricted stock units, restricted shares and incentive bonuses as defined in the 2012 Incentive Plan. Subject to adjustment for certain dilutive or related events, the maximum number of shares that may be issued pursuant to the exercise of incentive stock options under the 2012 Incentive Plan shall not exceed the number of shares equal to 10% of the total number of common shares of the Company outstanding as of November 2, 2012. On December 1, 2012, the Company awarded 760,033 RSUs to Storms, with a grant date fair value of $5,731,873. The RSUs vest approximately one-third each on January 1, 2013, December 1, 2013 and December 1, 2014, respectively. The Company recognized $1,910,624 of share-based compensation expense for the period ended December 31, 2012 with respect to this award. The grant date fair value per share is being recognized as compensation expense over the applicable vesting period.

The Company determined the fair value of the equity awards granted with consideration given to valuation analyses performed by an unrelated third party valuation specialist retrospectively, utilizing a market approach based on third party purchases of the Company's shares.

A summary of the status of the Company's non-vested shares under the 2012 Equity Plan and 2012 Incentive Plan as of December 31, 2012, and changes during the period ended December 31, 2012, is presented below:

Non-vested shares	Shares	Average grant date fair value
Balance at beginning of the period	—	$ —
Granted	3,352,664	7.06
Vested	(1,979,720)	(6.65)
Forfeited	(612,911)	(7.77)
Balance at December 31, 2012	760,033	$ 7.54

At December 31, 2012, there was $3,821,249 of total unrecognized compensation costs related to unvested common unit awards granted under the 2012 Equity Plan. That cost is expected to be recognized over 2 years. The total fair value of shares vested during the period ended December 31, 2012 was $13,172,880.

The Company currently intends to use authorized and unissued shares to satisfy share award exercises.

Incentive unit awards

The Board approved three separate Incentive Unit Awards under the Company's 2012 Equity Plan to Samuel Gaer ("Gaer"), Schaeffer and Ferdinand, each of which were fully vested on the grant date, as detailed in the table below:

	Grant Date	Outstanding Unit Equivalent immediately after the Grant	Profits Interest Hurdle (millions)	Grant date fair value of the Incentive Unit Award
Gaer	October 31, 2012	2%	$ 150	$2,484,274
Schaeffer	December 10, 2012	3.4%	$ 160	$4,760,000
Ferdinand	December 18, 2012	4%	$ 160	$5,773,849

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Incentive Unit Award to Schaeffer replaced the 3.4% equity award granted on October 23, 2012 and was accounted for as share-based payment modification.

The Incentive Unit Award to Ferdinand replaced the 2% equity award granted on September 30, 2012 issuable upon a registration statement by the Company being declared effective by the SEC, and was accounted for as share-based payment modification.

Each Incentive Unit Award was issued with a Profits Interest Hurdle, as defined in the Company's Limited Liability Company Agreement. The Incentive Unit Awards are intended to approximate the value of the Company's Common Shares; however, the Company must earn future profits or appreciate in value after the time of grant in order for the Incentive Unit Awards to have value. For each Incentive Unit Award, if the fair market value of all equity interests in the Company at the time of an IPO exceeds the Profits Interest Hurdle for such award, then upon conversion, Gaer, Schaeffer and Ferdinand will be issued up to 371,575, 626,808 and 742,030 common shares, respectively. The Company has analyzed the features of each of the Incentive Unit Awards and determined that their features are akin to equity rather than debt. As a result, the Company has accounted for the Incentive Unit Awards as equity-classified share-based payment awards rather than as a profit-sharing arrangement.

In addition, pursuant to Ferdinand's grant, Ferdinand is entitled to an additional grant of shares of our common stock immediately following the consummation of this offering in order to preclude the dilution of the 4% grant.

These awards will be granted immediately upon the Company's reorganization from an LLC to a corporation. The Incentive Unit Awards have been classified as permanent equity for purposes of ASC Topic 718, as the awards do not provide the grantees the right to require the Company to redeem the underlying shares for cash or an event that is probable of occurrence. Accordingly, the value of the awards has considered permanent equity under guidance applicable to redeemable securities.

At December 31, 2012, there were 1,059,620 additional units available for the Company to grant under the 2012 Stock Incentive Plan.

The grant date fair value of each Incentive Unit Award is estimated on the date of grant based on the fair value for the equivalent unit award adjusted for the profits interest hurdle provision using a put option calculated using the Black-Scholes-Merton option-pricing model. The fair value of the Incentive Unit Awards was estimated by the Company's management, with consideration given to valuation analyses performed by an unrelated third party valuation specialist.

The weighted average assumptions for the Incentive Unit Award grants are provided in the following table. Since the Company's shares are not publicly traded, expected volatility is estimated based on the average historical volatility of similar entities with publicly traded shares. The risk-free rate for the expected term of the Incentive Unit Award is based on the U.S. Treasury yield curve at the date of grant.

Valuation assumptions:	
Expected dividend yield	0%
Expected volatility	50%
Expected term (months)	10.5-11.0
Risk-free interest rate	.13%-.18%

Table of Contents

**LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Incentive Unit Award activity during the periods indicated is as follows:

Grants made during the quarter ended	Number of units	Weighted average fair value per unit
June 30, 2012	—	—
September 30, 2012	—	—
December 31, 2012	1,740,413	$ 7.48

The grant date fair value per share is being recognized as compensation expense over the applicable vesting period. All incentive unit awards were vested on the grant date.

(11) Members' Equity

On April 24, 2012, the Company executed a LLC Agreement and authorized two classes of common shares, Class A Common Shares and Non-dilutive Common Shares. Both classes had the same privileges, preferences, duties, obligations and rights, except that the Non-dilutive Common Shares had anti-dilution rights. The anti-dilution rights entitled the holders of Non-dilutive Common Shares to a full ratchet adjustment in the event that the Company issued any additional Class A Common Shares, Non-dilutive Common Shares or any other shares of the Company, such that the holder of the Non-dilutive Common Shares would automatically be issued an additional number of Non-dilutive Common Shares such that their percentage ownership in the Company would remain the same.

On October 22, 2012, the Company amended its LLC Agreement to redesignate all outstanding Non-dilutive Common Shares and Class A Common Shares as Common Shares. The financial statements and related notes retroactively reflect the redesignation of all issuances as Common Shares. Each Common Shares shall be entitled to one vote per Common Shares on all matters upon which the Members have the right to vote.

The Company is also authorized to issue Incentive Units ("Incentive Units"). The Incentive Units shall be treated as common shares pursuant to each Award Agreement to the extent provided in the LLC Agreement.

The Company presently does not pay cash distributions on common shares as its policy is to retain earnings to finance the operations and expansion of its businesses.

Founders' Initial Contributions

In accordance with the LLC Agreement and Founders Contribution Agreements collectively dated April 24, 2012, the Founders of the Company agreed to contribute their membership interests in Prime, Futures and Institutional in exchange for 9,979,324 common shares of the Company. The Company determined the fair value of the assets acquired and liabilities assumed utilizing the cost approach as follows: i) net book value method was used for the tangible assets, and ii) replacement cost method was used for the intangible assets. The consideration for these membership interests in these entities had a fair value in the aggregate of $2,003,468 which was recorded as a capital contribution and subscription receivable as the transfers were each subject to regulatory approval, see Note 5 for a further description of these contributions.

The Founders agreed to contribute LPH to the Company subject to regulatory approval from FINRA which occurred on October 5, 2012. As control of LPH had not been obtained by the Company, the obligation to contribute LPH is reflected as a subscription receivable on the April 24, 2012 contribution date of $601,563. On the date of acquisition, the fair value of LPH was $116,687, which resulted in a reduction of $484,876 to contributed capital in the accompanying consolidated statement of changes in members' equity.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Founders agreed to contribute Futures to the Company subject to regulatory approval from NFA which occurred on May 9, 2012. As control of Futures had not been obtained by the Company, the obligation to contribute Futures is reflected as a subscription receivable on the April 24, 2012 contribution date of $1,385,330. On the date of the acquisition, the fair value of Futures was $1,378,707, which resulted in a reduction of $6,623 to the contributed capital in the accompanying consolidated statement of changes in members' equity.

The Founders agreed to contribute Institutional to the Company subject to regulatory approval from FCA (then known as the Financial Services Authority) which occurred on July 2, 2012. As control of Institutional had not been obtained by the Company, the obligation to contribute Institutional is reflected as a subscription receivable on the April 24, 2012 contribution date of $17,000. Upon the date of the acquisition, the fair value of Institutional was $17,000.

Founder's Return of Units

On October 23, 2012, a Founder contributed 173,667 common shares to the Company, with a fair value of $1,399,968. The Company initially held the contributed units as treasury units. The treasury units were used in part to fund the issuance of an equity grant to Brian Ferdinand in December 2012 (described previously).

Expenses Paid by Founders

During April 2012, the Founders sold 52,053 common shares held by them in separate transactions to a director for an aggregate purchase price of $375,000. The Company estimated the fair value of the units sold utilizing the market approach, which amounted to $553,744. As a result of the below market sales, the Company recorded share-based compensation expense of $178,744, representing the difference between the aggregate fair value and the purchase price.

During October 2012, the Founders sold 295,234 common shares held by them in separate transactions to certain directors for an aggregate purchase price of $1,750,000. The Company estimated the fair value of the units sold utilizing the market value approach, which amounted to $2,398,683. As a result of the below market sales, the Company recorded share-based compensation expense of $648,683, representing the difference between the aggregate fair value and the purchase price.

During November 2012, the Founders sold 54,621 common shares held by them in separate transactions to certain consultants for an aggregate purchase price of $300,000. The Company estimated the fair value of the units sold utilizing the market value approach which amounted to $432,368. As a result of the below market sales, the Company recorded share-based consulting expense of $132,268, representing the difference between the aggregate fair value and the purchase price.

On December 24, 2012, the Founders sold 133,578 common shares to Storms for a purchase price of $750,000. The Company estimated the fair value of the units sold utilizing the market value approach, which amounted to $1,068,397. As a result of the below market sales, the Company recorded as share-based compensation expense of $318,397, representing the difference between the aggregate fair value and the purchase price.

The foregoing transactions were accounted for in accordance with ASC Paragraph 225-10-S99-4, *Presentation, Income Statement—Accounting for Expenses or Liabilities Paid by Principal Stockholder(s)* and ASC Paragraph 718-10-15-4, *Compensation—Stock Compensation*. This guidance provides that share-based payments awarded to an employee of the reporting entity by a related party or other holder of an economic interest in the entity as compensation for services provided to the entity are share-based payment transactions unless the transfer is clearly for a purpose other than compensation for services to the reporting entity. The

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

substance of such a transaction is that the economic interest holder makes a capital contribution to the reporting entity, and the reporting entity makes a share-based payment to its employee in exchange for services rendered. As such, the value of the shares transferred by the Founders were reflected as an expense in the Company's financial statements with a corresponding credit to contributed capital.

HA Investment Capital Contribution

On July 21, 2012, HA Investment executed a subscription agreement in the amount of $12,500,000 in exchange for 1,239,986 common shares equal to 7.14% of the aggregate issued and outstanding common shares of the Company. HA Investment wired the funds to the Company on April 24, 2012 (the "Wire Date"). The Company paid a finder's fee associated with this capital contribution of 10% or $1,250,000, which was recorded as a reduction in capital contributed (see Notes 5 and 8).

Pursuant to the agreement, in the event that an IPO of the Company's shares has not been consummated prior to October 24, 2012, (the 6-month anniversary of the Wire Transfer Date), HA Investment is entitled to additional shares equal to 8.06%, 8.23% and 8.33% of the aggregate issued and outstanding common shares of the Company on October 24, November 24 and December 24, 2012, respectively. As a result of the IPO not occurring prior to December 24, 2012, the Company has reflected the issuance of 242,020 additional common shares valued at $1,674,704 in the consolidated statement of changes in members' equity at December 31, 2012 and a related charge to registration rights penalty in the consolidated statement of operations.

(12) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. The Company is however, subject to the New York City Unincorporated Business Tax ("UBT").

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2012 are presented below.

Deferred tax assets:	
UBT net operating loss carryforwards	$ 267,000
Less valuation allowance	(267,000)
Net deferred tax assets	—
Deferred tax liabilities:	
Plant and equipment	(8,777)
Intangible assets	(688,483)
Total gross deferred liabilities	(697,260)
Net deferred tax liability	$(697,260)

The Company analyzed the recoverability of recorded deferred tax assets based on the four sources of taxable income and concluded that the full amount of the deferred tax assets will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $267,000.

The significant components of income tax benefit attributable to continuing operations of $104,340 consists of deferred UBT tax benefit of $371,340, offset by the change in the valuation allowance of $267,000.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The statutory tax rate, consisting of UBT, is 4%. This rate differs from the effective tax rate of 0.3% principally due to share-based compensation expenses.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

As of December 31, 2012, the Company has a UBT net operating loss carryover ("NOL") of approximately $6.7 million. This NOL will expire in 2032.

The Company adopted ASC Topic 740-10—*Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2012
New York State	2012
New York City	2012

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the year ended December 31, 2012. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(13) Net Capital Requirement

Futures is required by NFA to maintain at all times net capital of at least $1,000,000. Institutional must maintain regulatory net capital of at least €50,000 in accordance with FCA regulations. Prime is required to maintain a net capital of at least $100,000. In the aggregate, we were required to maintain at least approximately $1,170,000 in net capital across all jurisdictions. Dividends or withdrawals of capital cannot be made if capital is needed to comply with regulatory requirements.

Net capital balances and the amounts in excess of required net capital at December 31, 2012 are as follows:

	Net Capital	Excess Net Capital
Futures	$1,139,663	$ 139,663
Institutional	£ 124,000	£ 83,373
Prime	$ 798,941	$ 698,941

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Computation of Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted EPS computed using the same method as basic EPS, however, the computation reflects the potential dilution that would occur if outstanding in-the-money share awards were exercised and converted into common shares. All of the Company's share awards were fully vested on their grant date and are included on both the weighted average basic and diluted shares outstanding.

Net loss	$38,245,864
Loss applicable to common shares	$38,245,864
Weighted average common shares outstanding	15,517,444
Basic and diluted loss per common share	$ (2.46)

(15) Subsequent Events

The Company evaluates events occurring after the date of the reporting period for potential recognition or disclosure in its financial statement. Subsequent events have been evaluated through April 10, 2013, the date these consolidated financial statements were available to be issued.

Effective March 26, 2013 Futures changed its regulatory status from a non-clearing FCM to an introducing broker. This status change reduces the required regulatory capital from $1,000,000 to $45,000.

Legal

On March 19, 2013, the parties to the litigation described in note 9 entered into a binding term sheet that sets forth the general terms of a proposed settlement of the litigation described in note 9 to the consolidated financial statements.

Employment Agreements

The Company entered into an offer letter with Robert O'Boyle, dated as of February 26, 2013, providing that he will serve as the Company's Executive Vice President, Director of Sales and Marketing. The agreement provides for a base salary of $350,000, a one-time cash bonus of $82,000 payable in June 2013, and a guaranteed bonus of $150,000 for the first full year of employment. The Company has agreed to a guaranteed bonus of $100,000 for the second full year of employment. The offer letter provides for an award of a 0.5% interest in the Company in the form of stock options in accordance with the 2012 Incentive Plan. Additionally, the offer letter provides for an RSU equivalent to 0.25% of the Units outstanding and another 0.25% upon the Company reaching a market capitalization of $300 million following the IPO.

The Company entered into an offer letter with Jose Ibietatorremendia, dated as of March 13, 2013, providing that he will serve as the Company's General Counsel. The agreement provides for a base salary of $300,000, a one time cash bonus of $30,000 payable on June 1, 2013 and a guaranteed bonus of $100,000 payable at the end of the first full year of employment. In addition, the offer letter provides for an RSU equivalent to 0.25% of Units outstanding and 0.25% in the form of stock options in accordance with the 2012 Incentive Plan.

On March 21, 2013, the Company and Gaer entered into a separation agreement to end Gaer's employment agreement.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Private Placements

Subsequent to December 31, 2012, the Company executed subscription agreements with private investors in the aggregate amount of $3,300,000 in exchange for 394,021 common shares of the Company. The capital raised will be used for operations and to fund its working capital.

Equity

On April 5, 2013, the Company issued to D&L Partners (an affiliate of HA Investment) an additional 720,498 Common Shares of the Company in consideration of D&L Partners' continued financial support and commitment to the development and growth of the company.

Other

The Company plans to cease the over-the-counter brokerage operations of Liquid Prime Services and Liquid Futures. Liquid Prime Services and Liquid Futures will continue to be a key component of our business strategy by providing agency brokerage services and facilitating the introduction of client assets to custody banking relationships.

The $5,000,000 loan to QuantX described in note 4 to the consolidated financial statements, which had an outstanding principal balance of $2,250,000 as of December 31, 2012, was repaid in full in 2013. Such payment was made in two installments, with the first payment of $95,000 on January 18, 2013 and the final payment of $2,155,000 on February 22, 2013. Total interest received over the life of the loan was $74,416.

(16) Pro forma Disclosures (Unaudited)

As the Company is currently a multi-member limited liability company treated as a partnership, its consolidated financial statements reflect pro forma tax amounts and EPS data as if the Company were a Subchapter C corporation as of December 31, 2012 and had completed its reorganization to convert all of its outstanding common units into shares of common stock of Liquid Holdings Group, Inc. at a ratio of 10,606.81 to one.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Successor Company		
	(Unaudited) March 31, 2013	(Unaudited) Pro forma (Note 13) March 31, 2013	December 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,166,196	$ 4,166,196	$ 1,380,078
Note receivable from related party—QuantX Management, LLP	—	—	2,250,000
Deferred offering costs	5,254,780	5,254,780	3,476,427
Other receivable	1,564,996	1,564,996	1,637,075
Prepaid expenses and other current assets	185,855	185,855	119,417
Total current assets	11,171,827	11,171,827	8,862,997
Property and equipment, net	402,792	402,792	325,285
Other assets:			
Due from related parties	359,030	359,030	359,030
Deposits	533,653	533,653	478,258
Other intangible assets, net of amortization of $4,526,049 and $2,742,518	16,956,594	16,956,594	18,740,125
Goodwill	13,182,936	21,198,936	13,182,936
Total other assets	31,032,213	39,048,213	32,760,349
TOTAL ASSETS	$ 42,606,832	$ 50,622,832	$ 41,948,631
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	$ 5,175,888	$ 5,175,888	$ 3,199,869
Due to related parties	23,595	23,595	61,873
Deferred income	26,014	26,014	2,062
Deferred tax liability	259,995	2,860,000	268,160
Total current liabilities	5,485,492	8,085,497	3,531,964
Long-term liabilities:			
Deferred rent	73,358	73,358	51,338
Contingent consideration payable on Fundsolve acquisition	1,595,619	1,595,619	1,561,000
Deferred tax liability	365,290	4,018,200	429,100
Total liabilities	7,519,759	13,772,674	5,573,402
Commitments and contingencies (Note 5)			
Members' equity:			
Capital contributed (18,438,727 and 17,791,284 common shares issued and outstanding as of March 31, 2013 and December 31, 2012, respectively)	78,445,766	78,445,766	74,639,166
Accumulated deficit	(43,355,179)	(41,592,094)	(38,245,864)
Accumulated other comprehensive income (loss)	(3,514)	(3,514)	(18,073)
Total members' equity	35,087,073	36,850,158	36,375,229
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 42,606,832	$ 50,622,832	$ 41,948,631

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Successor Company		Predecessor Company
	Three Months Ended March 31, 2013	Pro forma (Note 13) Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenues:			
Brokerage activities	$ 1,145,852	$ 1,145,852	$ —
Software services, including $534,033 from related parties	616,612	616,612	—
	1,762,464	1,762,464	—
Cost of revenues:			
Brokerage activities	747,247	747,247	—
Software services, including $283,218 to related parties	577,160	577,160	—
	1,324,407	1,324,407	—
Gross margin	438,057	438,057	—
Operating expenses:			
Compensation (including $848,862 in share-based compensation for the Successor Company)	2,087,456	2,087,456	48,713
Consulting fees (including $178,978 in share-based payments for the Successor Company)	324,732	324,732	5,770
Depreciation and amortization	1,824,342	1,824,342	4,970
Professional fees	576,547	576,547	16,739
Rent	290,694	290,694	107,714
Computer related and software development	108,029	108,029	32,872
Other	382,805	382,805	29,112
Total operating expenses	5,594,605	5,594,605	245,890
Loss from operations	(5,156,548)	(5,156,548)	(245,890)
Non-operating income (expense):			
Unrealized loss on contingent consideration payable	(34,619)	(34,619)	—
Interest income	9,877	9,877	—
Total non-operating expense	(24,742)	(24,742)	—
Loss before income taxes	(5,181,290)	(5,181,290)	(245,890)
Income tax benefit	71,975	791,700	—
Net loss	(5,109,315)	(4,389,590)	(245,890)
Other comprehensive income (loss):			
Foreign currency translation	14,559	14,559	—
Total comprehensive loss	$ (5,094,756)	$ (4,375,031)	$ (245,890)
Basic and diluted earnings (loss) per share	$ (0.26)	(0.22)	$ —
Weighted average number of common shares outstanding during the period—basic and diluted	19,966,153	19,966,153	—

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Unaudited)

Successor Company	Common Shares	Incentive Units	Capital Contributed	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Common Shares	Total
Balance at December 31, 2012	17,791,284	—	$ 74,639,166	$ —	$ (38,245,864)	$ (18,073)	$ —	$36,375,229
Vesting of issued restricted common shares	253,346	—	—	—	—	—	—	—
Capital contribution by Founder for sale of common shares to consultant below market in connection with share-based compensation, January 2013	—	—	38,102	—	—	—	—	38,102
Capital contribution by Founder for sale of common shares to director below market in connection with share-based compensation, January 2013	—	—	327,622	—	—	—	—	327,622
Issuance of common shares in connection with sales by the Company, January 2013	112,574	—	1,000,000	—	—	—	—	1,000,000
Issuance of common shares in connection with sales by the Company, February 2013	36,387	—	300,000	—	—	—	—	300,000
Capital contribution by Founders for sale of common shares to director below market in connection with share-based compensation, February 2013	—	—	40,250	—	—	—	—	40,250
Issuance of common shares in connection with sales by the Company, March 2013	245,136	—	2,000,000	—	—	—	—	2,000,000
Capital contribution by Founders for sale of common shares to consultant below market in connection with share-based compensation, March 2013	—	—	100,626	—	—	—	—	100,626
Foreign currency translation	—	—	—	—	—	14,559	—	14,559
Net loss	—	—	—	—	(5,109,315)	—	—	(5,109,315)
Balance at March 31, 2013 (Unaudited)	18,438,727	—	$ 78,445,766	$ —	$ (43,355,179)	$ (3,514)	$ —	$35,087,073

Predecessor Company	Common Shares	Incentive Units	Capital Contributed	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Common Shares	Total
Balance at December 31, 2011	—	—	$ 620,100	$ —	$ (696,030)	$ —	$ —	$ (75,930)
Owner's contributions	—	—	350,000	—	—	—	—	350,000
Net loss	—	—	—	—	(245,890)	—	—	(245,890)
Balance at March 31, 2012 (Unaudited)	—	—	$ 970,100	$ —	$ (941,920)	$ —	$ —	$ 28,180

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Successor Company Three Months Ended March 31, 2013	Predecessor Company Three Months Ended March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (5,109,315)	$ (245,890)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized loss on contingent consideration payable	34,619	—
Depreciation and amortization expense	1,824,342	4,970
Share-based compensation	848,862	—
Share-based payments for consulting services	178,978	—
Other	16,205	—
Deferred tax benefit	(71,975)	—
Changes in operating assets and liabilities:		
Other receivable	72,079	—
Deferred offering costs	(1,778,353)	—
Prepaid expense and other current assets	(66,438)	(52,125)
Security deposit	(55,395)	—
Deposit with clearing organization	—	(250,000)
Accounts payable and accrued expenses	1,454,779	(26,107)
Due to related parties	(38,278)	—
Other current liabilities	23,952	—
NET CASH USED IN OPERATING ACTIVITIES	(2,665,938)	(569,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(92,765)	(175,633)
Repayment of note from related party—QuantX Management, LLP	2,250,000	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,157,235	(175,633)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from unit sales, net offering cost	3,300,000	—
Due to related parties	—	107,767
Owner's capital contributions	—	350,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,300,000	457,767
Effect of exchange rate changes on cash	(5,179)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,786,118	(287,018)
CASH AND CASH EQUIVALENTS—Beginning	1,380,078	428,257
CASH AND CASH EQUIVALENTS—Ending	$ 4,166,196	$ 141,239

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Successor Company Three Months Ended March 31, 2013	Predecessor Company Three Months Ended March 31, 2012
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ —	$ —
Income taxes paid	$ —	$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Contingent consideration on Fundsolve acquisition	$ (34,619)	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization and Basis of Presentation

Organization

Liquid Holding Group, LLC ("LHG," the "Company" or the "Successor Company"), a Delaware limited liability company, was formed on January 17, 2012 with the intention of being the holding company to acquire and own a group of companies and ultimately pursue an initial public offering ("IPO") in the United States.

The Company is the successor control entity of the Liquid Predecessor Companies (collectively, the "Predecessor Company"), which was not a legal entity, but rather a combination of certain entities and operations formed to continue and expand the Liquid organization in developing and operating a proprietary next generation technology platform that streamlines and unifies the entire trade and risk management process for the financial services community. The individual entities that comprise the Predecessor include:

- Liquid Prime Holdings, LLC ("LPH")
- Liquid Prime Services, Inc. ("Prime")
- Liquid Trading Holdings Limited ("Guernsey")
- Centurion Capital Group, LLC ("Centurion").

The Company's subsidiaries that are included in the consolidation are:

- Liquid Futures LLC ("Futures")
- Liquid Trading Institutional LLP ("Institutional")
- Liquid Partners, LLC formerly known as Centurion Capital Group, LLC and Centurion Trading Partners, LLC (collectively "Centurion")
- Fundsolve Ltd. ("Fundsolve")
- LHG Technology Services Ltd. ("Technology")
- Liquid Prime Holdings, LLC ("LPH")
- Green Mountain Analytics, LLC ("GMA")
- LTI, LLC ("LTI").

The Company commenced operations on April 24, 2012, the date the founders signed a limited liability agreement of the Company and agreed to contribute certain entities owned or controlled by them to the Company.

The individual limited liability companies included within the consolidated financial statements continue in existence until dissolved in accordance with the provisions of their operating agreements and are funded through the equity contributions of their owners. As limited liability companies, no member shall be bound by, or personally liable for, the expenses, liabilities or obligations of the individual companies except as may otherwise be provided under applicable law. The members are not obligated to restore capital deficits. Pursuant to the terms of each LLC agreement, profits, losses and distributions are generally allocated to the members in accordance with their ownership percentages.

Reorganization

Prior to the completion of this offering, the Company will reorganize as a Delaware corporation and change its name from Liquid Holdings Group, LLC to Liquid Holdings Group, Inc. In connection with this reorganization, all of the outstanding common units of the Company will convert into shares of common stock of Liquid Holdings Group, Inc. at a ratio that is yet to be determined.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information. All material intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Management believes that the accompanying unaudited condensed consolidated financial statements include all normal and recurring adjustments considered necessary for the fair presentation of the results of the interim periods presented. Operating results for the three-months ended March 31, 2013 are not necessarily indicative of the results that may be expected for any subsequent period.

The unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's audited consolidated financial statements included as part of this registration statement.

(2) Fair Value Measurements

Fair Value Hierarchy

The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- **Level 1 Inputs:** Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the Company at the measurement date.
- **Level 2 Inputs:** Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- **Level 3 Inputs:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Determination of Fair Value

The categorization of an asset or liability within the fair value hierarchy is based on the inputs described above and does not necessarily correspond to the Company's management's perceived risk of that asset or liability. Moreover, the methods used by management may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

methodologies or assumptions to determine the fair value of certain financial instruments and nonfinancial assets and liabilities could result in a different fair value measurement at the reporting date. Descriptions of the valuation methodologies, including the valuation techniques and the input (s) used in the fair measurements for assets and liabilities on a recurring and nonrecurring basis are itemized below.

Contingent Consideration Payable

The Company's contingent consideration is classified as a liability, and is initially measured at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805—*Business Combinations* Paragraph 30-25-5. The contingent consideration is remeasured at fair value at the end of each reporting period until the contingency is resolved, with any changes in fair value recognized in earnings. The Company utilizes a market approach to determine fair value and relies on Level 3 inputs. Fair value measurements are, therefore, considered Level 3 measurements. Unobservable inputs consist of valuations based upon transactions in the Company's common units, the discount for lack of marketability, the cost of equity and estimates of the probability of an IPO occurring by a certain date.

Intangible Assets

Intangible assets and long-lived assets held and used are measured at fair value in accordance with ASC Subtopic 360-10, *Property, Plant, and Equipment—Overall*, if a step 2 test is required. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected approach(es) is (are) based on the specific attributes of the long-lived asset. Property, plant, and equipment is typically valued using a cost approach, while intangible assets are usually valued with an income approach. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are, therefore, considered Level 3 measurements. Unobservable inputs usually consist of discount rates, customer attrition rates, growth rates, royalty rates, contributory asset charges and profitability assumptions.

Goodwill

Goodwill is tested annually for impairment each July in accordance with ASC Topic 350—*Intangibles-Goodwill and Other*. Step 1 entails a comparison of the fair value of the recoverable amount of each reporting unit to its carrying amount. An income approach is used to derive the fair value of each reporting unit. Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. Unobservable inputs include discount rates, growth rates and prospective financial information.

Recurring Fair Value Measurements

The following table presents, for each level within the fair value hierarchy, the Company's recurring fair value measurements for assets and liabilities:

	(Unaudited) March 31, 2013	Fair Value Measurement Using Level 1	Level 2	Level 3
Contingent consideration payable	$ 1,595,619	$ —	$ —	$1,595,619

	December 31, 2012	Fair Value Measurement Using Level 1	Level 2	Level 3
Contingent consideration payable	$ 1,561,000	$ —	$ —	$1,561,000

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Non-Recurring Fair Value Measurements

The following table presents, for each level within the fair value hierarchy, the Company's non-recurring fair value measurements:

		Fair Value Measurement Using		
	December 31, 2012	Level 1	Level 2	Level 3
Other intangible assets (1)	$ 18,740,125	$ —	$ —	$18,740,125
Goodwill (2)	13,182,936	—	—	13,182,936
	$ 31,923,061	$ —	$ —	$31,923,061

(1) In accordance with ASC Subtopic 360-10, intangible assets were written down to their fair value, resulting in an impairment charge.
(2) In accordance with ASC Subtopic 350-20, goodwill was written down to its implied fair value resulting in an impairment charge.

Transfers between Level 1 and Level 2

There were no transfers of financial assets or liabilities between Level 1 and Level 2, or between Level 2 and Level 3 during the periods ended March 31, 2013 and December 31, 2012.

Reconciliation of Recurring Fair Value Measurements within Level 3

The following table presents a summary of changes in the fair value of the Company's Level 3 liabilities:

	Contingent Consideration Payable	
	(Unaudited) March 31, 2013	December 31, 2012
Opening Balance	$ 1,561,000	$ —
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Total gains or losses for the period included in earnings:		
Realized (gains) losses	—	(1,545,000)
Unrealized (gains) losses	34,619	(129,000)
Purchases, issues, sales and settlements:		
Purchases	—	—
Issues	—	11,990,000
Sales	—	—
Settlements	—	(8,755,000)
Closing balance	$ 1,595,619	$ 1,561,000
Change in unrealized gains and losses for the period included in earnings at period end	$ (34,619)	

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Financial Assets and Financial Liabilities not Measured at Fair Value

The following table summarizes the carrying amount and estimated fair value of the Company's financial assets that are not measured at fair value either on a recurring or nonrecurring basis:

		Estimated Fair Value			
March 31, 2013 (Unaudited)	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 4,166,196	$4,166,196	$ —	$ —	$4,166,196

		Estimated Fair Value			
December 31, 2012	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 1,380,078	$1,380,078	$ —	$ —	$1,380,078
Note receivable from related party	$ 2,250,000	$ —	$ —	$2,255,000	$2,255,000

The following is a description of the principal valuation methods used by the Company for those financial assets that are not measured at fair value either on a recurring or non-recurring basis:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates fair value.

Note Receivable from Related Party

In estimating the fair value of the note receivable from a related party, the Company used a discounted cash flow model. Fair value is estimated by discounting the anticipated cash flows from the loans, assuming future prepayments and using market interest rates for new loans with comparable credit risk.

(3) Goodwill and Other Intangible Assets

Acquired Intangible Assets

		(Unaudited) March 31, 2013			December 31, 2012		
	Amortization period	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Amortizable Intangible Assets:							
Software and trading platform	3 years	$19,374,098	$(3,842,076)	$15,532,022	$19,374,098	$(2,244,378)	$17,129,720
Customer relationships[(1)]	3 years	1,261,000	(280,223)	980,777	1,261,000	(175,140)	1,085,860
Non-compete agreements[(1)]	Life of agreement, 24 months	646,000	(403,750)	242,250	646,000	(323,000)	323,000
Total		$21,281,098	$(4,526,049)	$16,755,049	$21,281,098	$(2,742,518)	$18,538,580
Indefinite-Lived Intangible Assets:							
Broker licenses	N/A	$ 163,000	—	163,000	$ 163,000	$ —	$ 163,000
Patents pending	N/A	36,545	—	36,545	36,545	—	36,545
Trade names	N/A	2,000	—	2,000	2,000	—	2,000
Total		$ 201,545	$ —	$ 201,545	$ 201,545	$ —	$ 201,545

(1) Gross and net carrying amounts were reduced by $86,000 in total due to impairment during the year ended December 31, 2012.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Aggregate amortization expense for intangible assets was $1,799,570 for the period ended March 31, 2013. As of March 31, 2013, the future estimated amortization expense related to amortizable intangible assets is expected to be as follows:

Remainder of 2013	$ 5,350,593
2014	6,811,124
2015	4,593,332
2016	—
2017	—
Thereafter	—
	$ 16,755,049

There was no amortization expense of the Predecessor Company for the period ended March 31, 2012.

Goodwill

The Company performs its annual goodwill impairment test each July 31 to determine if the carrying amount of goodwill exceeds its fair value.

The changes in the carrying amount of goodwill are as follows:

	Balance at December 31, 2012	Business Combinations / Asset Acquisitions	Impairment Losses	(Unaudited) Balance at March 31, 2013
Partners	$ 7,115,505	$ —	$ —	$ 7,115,505
Fundsolve	206,328	—	—	206,328
GMA	4,338,615	—	—	4,338,615
LTI	1,515,968	—	—	1,515,968
LPH	4,600	—	—	4,600
Futures	1,240	—	—	1,240
Institutional	680	—	—	680
Total Goodwill	$13,182,936	$ —	$ —	$13,182,936

	Balance at December 31, 2011	Business Combinations / Asset Acquisitions	Impairment Losses	Balance at December 31, 2012
Partners	$ —	$ 8,580,157	$(1,464,652)	$ 7,115,505
Fundsolve	—	206,328	—	206,328
GMA	—	4,338,615	—	4,338,615
LTI	—	1,515,968	—	1,515,968
LPH	—	4,600	—	4,600
Futures	—	1,240	—	1,240
Institutional	—	680	—	680
Total Goodwill	$ —	$14,647,588	$(1,464,652)	$13,182,936

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(4) Certain Relationships and Related Party Transactions

Amounts recognized from transactions with related parties in the accompanying condensed consolidated balance sheets are as follows:

	(Unaudited) March 31, 2013	December 31, 2012
Assets:		
Note receivable from QuantX Management, LLP	$ —	$2,250,000
Due from QuantX Management, LLP	$243,030	$ 243,030
Due from Ferdinand Capital	116,000	116,000
Total due from related parties	$359,030	$ 359,030
Liabilities:		
Due to related parties	$ 23,595	$ 61,873

Note Receivable from QuantX Management, LLP

In June 2012, the Company entered into a demand promissory note with Liquid Trading Int'l LLP, which changed its name to QuantX Management, LLP ("QuantX") effective January 22, 2103. The note, in the principal amount of $5,000,000, is payable upon demand, but in no event no later than May 15, 2013. The note bears interest at a rate of 3% per annum which is payable upon demand. At March 31, 2013 and December 31, 2012, there was no accrued interest receivable included in Prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. QuantX repaid an aggregate of $2,750,000 of principal during the year ended December 31, 2012, with the remaining principal balance of $2,250,000 repaid during the period ended March 31, 2013. Total interest received over the life of the loan was $74,416. QuantX is a multi-strategy principal-only trading firm with which the founders of the Company are affiliated.

Due from QuantX Management, LLP

During 2012, the Company provided payments to GMA on behalf of QuantX in relation to the development of Liquidview, a software tool which forms a component of the Company's accounting technology platform. In addition, Partners received payments from QuantX to facilitate the payment of operating expenses. LTI also advanced funds to QuantX for various expenses prior to being acquired by the Company. These payments netted to a total of $243,030, and are included in Due from related parties in the consolidated balance sheets at March 31, 2013 and December 31, 2012.

Due from Ferdinand Capital

LTI advanced $116,000 to Ferdinand Capital during 2011. This amount is included in Due from related parties in the accompanying condensed consolidated balance sheets at March 31, 2013 and December 31, 2012. Ferdinand Capital is an entity owned by one of the founders of the Company.

Due to Related Parties

Partners and LHG incurred expenses that were paid by entities owned by one of the founders. These payments, net of any amounts repaid by the Company, totaled $23,595 and $61,873 at March 31, 2013 and December 31, 2012, respectively, and are included in Due to related parties in the accompanying condensed consolidated balance sheets.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Other Related Party Relationships

Certain officers and directors of the Company were also officers and directors of certain entities acquired by the Company or entities with which the Company has business relationships.

(5) Commitments and Contingencies

Legal Matters

The Company may periodically be involved in litigation and various legal matters that arise in the normal course of business, including proceedings relating to regulatory matters. Such matters are subject to many uncertainties and outcomes that are not predictable.

In November 2012, a former employee of the Company filed a complaint in the United States District Court for the Southern District of New York against Liquid Holdings Group, Mr. Richard Schaeffer (a founder of the Company), Mr. Brian Ferdinand (a founder of the Company) and entities controlled by Mr. Schaeffer. Among other claims, the complaint alleges breach of contract, breach of fiduciary duty and workplace violations. This case was voluntarily dismissed and refiled in New York Supreme Court. On March 19, 2013, the parties entered into a binding term sheet that set forth the general terms of a proposed settlement of the litigation. In accordance with the term sheet, both the Company and its founders will be jointly and severally liable for the settlement amount of $1 million. The Company and its founders agreed to an apportionment of the settlement amount and the Company accordingly accrued $250,000 for this settlement at December 31, 2012. On April 30, 2013, a Settlement Agreement and Release (the "Settlement Agreement") was executed between all parties. The Settlement Agreement calls for consideration in the amount of $1 million to be paid as follows: $250,000 at the time of execution of the Settlement Agreement and the remaining $750,000 paid within 90 days from said execution. On April 30, 2013, the Company paid $250,000, its apportionment of the settlement amount. The Company is contingently liable to make the remaining $750,000 payment if such payment is not made by Mr. Schaeffer.

The Company, through its subsidiaries, entered into a fee arrangement with a law firm which called for the law firm initially billing the Company using a discounted rate, provided that upon the closing of a going public transaction, the law firm is entitled to a payment of the discounted amount plus an additional success fee. The additional fees were not accrued as it was not probable and is contingent upon the successful closing of a going public transaction.

Lease Commitments

The Company has entered into lease and sublease agreements with third parties for certain offices and equipment, which expire at various dates through March 31, 2020. Rent expense for the periods ended March 31, 2013 and March 31, 2012 was $290,694 and $107,714, respectively, and is recorded as Rent in the accompanying condensed consolidated statements of operations.

The Company recognizes rent expense for escalation clauses, rent holidays, leasehold improvement incentives and other concessions using the straight-line method over the minimum lease term.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At March 31, 2013, minimum future rental commitments under non-cancellable operating leases are as follows:

Year Ending December 31,	
2013	$ 827,598
2014	1,127,260
2015	1,158,037
2016	1,189,646
2017	1,222,122
Thereafter	1,098,934
Total	$6,623,597

(6) Share-Based Compensation

Restricted Stock Units

On November 2, 2012, the board of managers approved the establishment of the 2012 Stock Incentive Plan ("2012 Incentive Plan"), to provide employees, directors and advisors an incentive to perform and benefit from increases in the value of the common shares through grants of options, stock appreciation rights, restricted stock units, restricted shares and incentive bonuses as defined in the 2012 Incentive Plan. Subject to adjustment for certain dilutive or related events, the maximum number of shares that may be issued pursuant to the 2012 Incentive Plan shall not exceed the number of shares equal to 10% of the total number of common shares of the Company outstanding as of November 2, 2012.

The Company recognizes compensation expense based on the grant date fair value per share over the applicable vesting period. The Company determines the fair value of equity awards granted with consideration given to valuation analyses performed by an unrelated third party valuation specialist retrospectively, utilizing a market approach based on third party purchases of the Company's shares.

A summary of the status of the Company's non-vested shares under the 2012 Equity Plan and 2012 Incentive Plan as of December 31, 2012, and changes during the period ended March 31, 2013, is presented below:

Non-vested shares	Shares	Weighted Average Grant Date Fair Value
Balance at beginning of the period	760,033	$ 7.54
Granted	136,986	7.62
Vested	(253,346)	(7.54)
Forfeited	—	—
Balance at March 31, 2013 (Unaudited)	643,673	$ 7.56

At March 31, 2013, there was $4,344,363 of total unrecognized compensation costs related to unvested common share awards granted under the 2012 Equity Plan. This cost is expected to be recognized during 2013 through 2015. The total fair value of shares vested during the period ended March 31, 2013 was $1,910,624.

The Company currently intends to use authorized and unissued shares to satisfy share award exercises.

At March 31, 2013, there were 922,580 additional shares available for the Company to grant under the 2012 Incentive Plan.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(7) Employment Agreements

The Company has entered into employment agreements with certain executive officers as follows:

The Company entered into an offer letter with Robert O'Boyle, dated as of February 26, 2013, providing that he will serve as the Company's Executive Vice President, Director of Sales and Marketing. The agreement provides for a base salary of $350,000, a one-time cash bonus of $82,000 payable in June 2013 and a guaranteed bonus of $150,000 for the first full year of employment. The Company has agreed to a guaranteed bonus of $100,000 for the second full year of employment. The offer letter provides for an award of a 0.5% interest in the Company in the form of stock options in accordance with the 2012 Incentive Plan. Additionally, the offer letter provides for a restricted stock unit equivalent to 0.25% of the common shares outstanding and another 0.25% upon the Company reaching a market capitalization of $300 million following the IPO.

The Company entered into an offer letter with Jose Ibietatorremendia, dated as of March 13, 2013, providing that he will serve as the Company's General Counsel. The agreement provides for a base salary of $300,000, a one- time cash bonus of $30,000 payable on June 1, 2013 and a guaranteed bonus of $100,000 payable at the end of the first full year of employment. In addition, the offer letter provides for a restricted stock unit equivalent to 0.25% of common shares outstanding and 0.25% in the form of stock options in accordance with the 2012 Incentive Plan.

On March 21, 2013, the Company and Samuel Gaer, its former Chief Executive Officer, entered into a separation agreement to end Mr. Gaer's employment agreement.

(8) Members' Equity

Expenses Paid by Founders

In January 2013, one of the founders sold 90,786 common shares held by him to a director for a purchase price of $375,000. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to $702,622. As a result of the below market sale, the Company recorded share-based compensation expense of $327,622, representing the difference between the aggregate fair value and the purchase price.

During the period ended March 31, 2013, two of the founders sold 107,791 common shares held by them in separate transactions to certain consultants for an aggregate purchase price of $650,000. The Company estimated the fair value of the shares sold utilizing the market value approach, which amounted to $828,978. As a result of the below market sales, the Company recorded share-based consulting expense of $178,978, representing the difference between the aggregate fair value and the purchase price.

The foregoing transactions were accounted for in accordance with ASC Paragraph 225-10-S99-4, *Presentation, Income Statement—Accounting for Expenses or Liabilities Paid by Principal Stockholder(s)* and ASC Paragraph 718-10-15-4, *Compensation—Stock Compensation*. This guidance provides that share-based payments awarded to an employee of the reporting entity by a related party or other holder of an economic interest in the entity as compensation for services provided to the entity are share-based payment transactions unless the transfer is clearly for a purpose other than compensation for services to the reporting entity. The substance of such a transaction is that the economic interest holder makes a capital contribution to the reporting entity, and the reporting entity makes a share-based payment to its employee in exchange for services rendered. As such, the value of the shares transferred by the founders was reflected as an expense in the Company's condensed consolidated financial statements with a corresponding credit to contributed capital.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Private Placements

During the period ended March 31, 2013, the Company executed subscription agreements with private investors in the aggregate amount of $3,300,000 in exchange for 394,098 common shares of the Company. The capital raised will be used for operations and to fund the Company's working capital.

(9) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying condensed consolidated financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. The Company is, however, subject to the New York City Unincorporated Business Tax of 4%.

The Company analyzed the recoverability of recorded deferred tax assets and concluded that the full amount of the deferred tax assets will not be realized in the foreseeable future and hence, a full valuation allowance has been established.

The Company adopted ASC Topic 740-10—*Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

(10) Net Capital Requirement

Effective March 26, 2013, Futures changed its regulatory status from a non-clearing FCM to an introducing broker. This status change reduced the regulatory capital that Futures is required to maintain from $1,000,000 to $45,000.

Institutional must maintain regulatory net capital of at least €50,000 in accordance with FCA regulations.

Prime is required to maintain a net capital of at least $100,000.

In the aggregate, we were required to maintain at least approximately $209,000 in net capital across all jurisdictions.

Dividends or withdrawals of capital cannot be made if capital is needed to comply with regulatory requirements.

Net capital balances and the amounts in excess of required net capital at March 31, 2013 and December 31, 2012 are as follows:

	(Unaudited) March 31, 2013		December 31, 2012	
	Net Capital	Excess Net Capital	Net Capital	Excess Net Capital
Futures	$337,570	$292,570	$1,139,663	$139,663
Institutional	£124,000	£ 81,855	£ 124,000	£ 83,373
Prime	$887,691	$787,691	$ 798,941	$698,941

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(11) Computation of Earnings per Share

Basic earnings per shares ("EPS") is computed by dividing net income (loss) by the weighted average number of shares outstanding during the period. Diluted EPS is computed using the same method as basic EPS, however, the computation reflects the potential dilution that would occur if outstanding in-the-money share awards were exercised and converted into common shares.

	Quarter Ending March 31, 2013
Net loss	$ (5,109,315)
Loss applicable to common shares	$ (5,109,315)
Weighted average common shares outstanding	19,966,153
Basic and diluted loss per common share	$ (0.26)

The calculation of diluted EPS excludes the effect of restricted stock units because they were determined to be anti-dilutive and, therefore, diluted EPS is the same as basic EPS.

(12) Subsequent Events

The Company evaluates events occurring after the date of the reporting period for potential recognition or disclosure in its financial statements. Subsequent events have been evaluated through May 30, 2013, the date these condensed consolidated financial statements were available to be issued.

2012 Stock Incentive Plan

On April 5, 2013, the board of managers of the Company approved the 2012 Amended and Restated Stock Incentive Plan. Subject to adjustment for certain dilutive or related events, the maximum number of shares that may be issued under this amended plan shall not exceed the number of shares equal to 15% of the total number of common units of the Company outstanding as of April 5, 2013.

Equity

On April 5, 2013, the Company issued to D&L Partners, LP ("D&L Partners"), an entity controlled by Mr. Douglas Von Allen, an additional 720,498 common shares of the Company in consideration of D&L Partners' continued financial support and commitment to the development and growth of the Company. The Company estimated the fair value of the common shares issued utilizing the market approach, which amounted to approximately $5.3 million. The Company will record a share-based payment charge of approximately $5.3 million during the three months ended June 30, 2013 as a result of this transaction.

On May 1, 2013, the founders of the Company transferred 541,901 common shares held by them to David Solimine and Orca Trading LLC as consideration for his previous commitment to the development and growth of the Company. The Company estimated the fair value of the common shares transferred utilizing the market approach, which amounted to approximately $4.0 million.

On May 10, 2013, a founder of the Company transferred 191,616 common shares for no monetary consideration to another founder of the Company. The Company estimated the fair value of the common shares transferred utilizing the market approach, which amounted to approximately $1.4 million.

Table of Contents

LIQUID HOLDINGS GROUP, LLC AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On May 13, 2013, a founder of the Company sold 61,317 common shares for $400,000 to a consultant. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to $462,400.

On May 14, 2013, a founder of the Company sold 766,466 common shares for $5.0 million to Brian Storms, the Company's CEO. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to approximately $5.8 million.

On May 14, 2013, a founder of the Company sold 47,904 common shares for $312,500 to a member of the Company's board of directors. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to $361,250.

On May 14, 2013, a founder of the Company, Mr. Storms and three employees transferred 104,431 common shares for no monetary consideration to D&L Partners. The Company estimated the fair value of the common shares transferred utilizing the market approach, which amounted to approximately $0.8 million.

On May 14, 2013, a founder of the Company sold 70,898 common shares for $500,000 to a consultant. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to $534,650.

On May 15, 2013, a founder of the Company sold 191,616 common shares for $1,350,000 to D&L Partners. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to $1,445,000.

On May 16, 2013, a founder of the Company sold 15,329 common shares for $100,000 to a consultant. The Company estimated the fair value of the common shares sold utilizing the market approach, which amounted to $115,600.

On May 29, 2013, two founders of the Company transferred 95,808 common shares for no monetary consideration to a consultant. The Company estimated the fair value of the common shares transferred utilizing the market approach, which amounted to $722,500.

As a result of the equity transactions by the founders with employees and consultants during the period from May 1, 2013 through May 29, 2013 described above, the Company will record a share-based payment charge in earnings of approximately $8.0 million during the quarter ending June 30, 2013, which represents the cumulative excess of the fair values of the transactions over the proceeds received by the founders.

Other

The Company plans to cease the over-the-counter brokerage operations of Liquid Prime Services and Liquid Futures. Liquid Prime Services and Liquid Futures will continue to be a key component of our business strategy by providing agency brokerage services and facilitating the introduction of client assets to custody banking relationships.

(13) Pro forma Disclosures

As the Company is currently a multi-member limited liability company treated as a partnership, its condensed consolidated financial statements reflect pro forma income tax amounts as if the Company were a Subchapter C corporation as of March 31, 2013.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Member
Liquid Predecessor Companies:

We have audited the accompanying combined balance sheets of Liquid Predecessor Companies (the "Company") (a development stage company) as of April 24, 2012 and December 31, 2011, and the related combined statements of operations, changes in owner's equity (deficit), and cash flows for the periods ended April 24, 2012 and December 31, 2011. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Liquid Predecessor Companies as of April 24, 2012 and December 31, 2011, and the results of their operations and their cash flows for the periods ended April 24, 2012 and December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As more fully described in note 1, the accompanying financial statements have been presented on a combined basis as the entities are under common control.

/s/ KPMG LLP

New York, New York
April 10, 2013

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

COMBINED BALANCE SHEETS

	April 24, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 121,550	$ 428,257
Deposit with clearing organization	250,000	—
Due from related party	300,000	300,000
Total current assets	671,550	728,257
Property and equipment, net	234,324	—
Other assets:		
Other intangible assets	2,108,000	2,581,000
Goodwill	8,392,402	11,219,402
Total other assets	10,500,402	13,800,402
TOTAL ASSETS	$11,406,276	$14,528,659
LIABILITIES AND OWNER'S EQUITY (DEFICIT)		
Current liabilities:		
Accrued expenses	$ 117,765	$ 32,774
Due to related parties	779,180	671,413
Total current liabilities	896,945	704,187
Long-term liabilities:		
Loan payable to related party	300,000	300,000
Contingent consideration payable	1,973,000	5,268,904
Future obligation with IPO	8,327,000	8,331,498
Total long-term liabilities	10,600,000	13,900,402
Total liabilities	11,496,945	14,604,589
Commitments and contingencies (Note 9)		
Owner's deficit:		
Capital contributed	970,100	620,100
Deficit accumulated during the development stage	(1,060,769)	(696,030)
Total owner's deficit	(90,669)	(75,930)
TOTAL LIABILITIES AND OWNER'S EQUITY (DEFICIT)	$11,406,276	$14,528,659

See accompanying notes to combined financial statements.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

COMBINED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED APRIL 24, 2012 AND DECEMBER 31, 2011

	Period from January 1, 2012 to April 24, 2012	Period ended December 31, 2011	Inception to April 24, 2012
Revenues from brokerage activities	$ —	$ 63,950	$ 63,950
Cost of revenues from brokerage activities	—	47,810	47,810
Gross margin	—	16,140	16,140
Operating expenses:			
Impairment of goodwill and intangibles	3,300,000	—	3,300,000
Professional fees	33,756	342,731	376,487
Rent	153,081	—	153,081
Offering expenses	—	137,642	137,642
Travel and entertainment	—	83,856	83,856
Depreciation and amortization	6,912	—	6,912
Outside services	—	67,516	67,516
Salaries and wages	73,494	39,647	113,141
Other expenses	97,496	40,778	138,274
Total operating expenses	3,664,739	712,170	4,376,909
Loss from operations	(3,664,739)	(696,030)	(4,360,769)
Non operating income:			
Gain on settlement of contingent consideration payable	3,300,000	—	3,300,000
Loss before income taxes	(364,739)	(696,030)	(1,060,769)
Provision for income taxes	—	—	—
Net loss	$ (364,739)	$ (696,030)	$(1,060,769)

See accompanying notes to combined financial statements.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

COMBINED STATEMENTS OF CHANGES IN OWNER'S EQUITY (DEFICIT)
FOR THE PERIODS ENDED APRIL 24, 2012 AND DECEMBER 2011

	Capital Contributed	Deficit Accumulated During the Development Stage	Total
Owner's contributions	$ 620,100	—	$ 620,100
Net loss	—	(696,030)	(696,030)
Owner's Equity (Deficit) - December 31, 2011	620,100	(696,030)	(75,930)
Owner's contributions	350,000	—	350,000
Net loss	—	(364,739)	(364,739)
OWNER'S EQUITY (DEFICIT) - APRIL 24, 2012	$ 970,100	$(1,060,769)	$ (90,669)

See accompanying notes to combined financial statements.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)
COMBINED STATEMENTS OF CASH FLOWS

	Period from January 1, 2012 to April 24, 2012	Period ended December 31, 2011	Inception to April 24, 2012
Operating activities:			
Net loss	$ (364,739)	$ (696,030)	$ (1,060,769)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	6,912	—	6,912
Impairment of goodwill and intangible assets	(3,300,000)	—	(3,300,000)
Gain on settlement of contingent consideration	3,300,000	—	3,300,000
Changes in assets and liabilities:			
Deposit with clearing organization	(250,000)	—	(250,000)
Accounts payable and accrued expenses	84,590	32,474	117,064
Net cash used in operating activities	(523,237)	(663,556)	(1,186,793)
Investing activities:			
Purchase of brokerage license	—	(115,000)	(115,000)
Purchase of fixed assets	(241,236)	—	(241,236)
Cash received with acquisitions	—	17,168	17,168
Payment of acquisition	—	(1,000)	(1,000)
Net cash used in investing activities	(241,236)	(98,832)	(340,068)
Financing activities:			
Due to related parties	107,766	270,545	378,311
Loans payable	—	300,000	300,000
Owner's capital contributions	350,000	620,100	970,100
Net cash provided by financing activities	457,766	1,190,645	1,648,411
Net increase (decrease) in cash and cash equivalents	(306,707)	428,257	121,550
Cash and cash equivalents - beginning	428,257	—	—
CASH AND CASH EQUIVALENTS - ENDING	$ 121,550	$ 428,257	$ 121,550
Supplemental disclosures of non cash investing activities:			
Acquisition of Centurion	$ —	$13,599,000	$13,599,000

See accompanying notes to combined financial statements.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) Organization and Basis of Presentation

Liquid Predecessor Companies (collectively, the "Company"), which is not a legal entity but rather a combination of certain entities and operations as described below, was formed to continue and expand the Liquid organization, which consists of the Company and other acquisitions made during 2012 by its successor, in developing and operating a proprietary next generation technology platform that streamlines and unifies the entire trade and risk management process for the financial services community. The individual entities that comprise the Company are under the common control of Brian Ferdinand, and include: Liquid Prime Holdings LLC ("LPH"), Liquid Prime Services Inc., ("Prime"), Centurion Capital Group, LLC, ("Centurion") and Liquid Trading Holdings Limited ("Guernsey").

Guernsey, a company incorporated under the laws of Guernsey, was formed on October 6, 2011. Guernsey was initially formed to be a holding company that would go public in the United Kingdom and listed on the London Stock Exchange Alternative Investments Market ("AIM"). On December 30, 2011, Guernsey purchased all the membership interests of Centurion. This reorganization under Guernsey never took place and has since been abandoned in favor of the formation and reorganization under Liquid Holdings Group, LLC ("LHG"). As a result of Guernsey's abandonment of its plan to list on AIM, $- and $137,642 in offering expenses have been recognized in the Statement of Operations for the periods ended April 24, 2012 and December 31, 2011, respectively.

LHG, a Delaware limited liability company, was formed on January 17, 2012. LHG is the entity that has been formed with the intention of being the holding company to own the Company and the Liquid Companies, and other entities through acquisitions and ultimately pursue an IPO in the US.

LPH, is a Delaware limited liability company formed in September 2011, to be a holding company for Prime. Formerly known as Taconic Capital Group Inc. ("Taconic"), Prime changed its name to Liquid Prime Services Inc. on November 17, 2011. Taconic was formed on May 16, 2003 as a New York Corporation. Prime is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority. On April 24, 2012, the members of LPH executed agreements with LHG agreeing to contribute all of the outstanding membership interests in LPH in exchange for membership interests in LHG. This contribution became effective on October 5, 2012 upon receipt of regulatory approval.

Centurion was formed on May 11, 2010 as a Florida limited liability company and was formerly known as Centurion Capital South LLC. Centurion is a provider of trade order management technology services for the financial community. On May 11, 2012, Guernsey assigned and transferred the interest and all of its rights and obligations under the membership purchase agreement of Centurion to LHG. On March 2, 2012, Centurion Capital Group, LLC changed its name to Liquid Partners, LLC.

The accompanying combined financial statements include the results of operations of the entities for their respective periods from inception to December 31, 2011 as follows:

Entity	Period included in the accompanying combined financial statements
LPH	September 22, 2011 through December 31, 2011
Guernsey	October 6, 2011 through December 31, 2011
Prime	November 17, 2011 through December 31, 2011
Centurion	December 30, 2011 through December 31, 2011

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

The combined financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"). The combined financial statements reflect all adjustments which are, in the opinion of management, necessary for the fair presentation of results. These entities that are under common control of Brian Ferdinand were deemed to be the predecessor entity of Liquid Holdings Group, LLC which was formed on January 17, 2012. The combined financial statements are presented through April 24, 2012, which is the date its successor commenced operations.

The Company is considered to be a development stage company and as such, the Company's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, *Development Stage Entities*. The Company is subject to all of the risks associated with development stage companies.

Principles of Combination and Formation

The accompanying combined financial statements include the accounts of the Company and its affiliates, which are under the common control of Brian Ferdinand. All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

The accompanying combined financial statements of the Company have been prepared to present the combined financial position of LPH, Prime, Centurion and Guernsey under the common control of Brian Ferdinand through April 24, 2012, the date LPH executed agreements with LHG agreeing to contribute all of the outstanding membership interests of LPH, Prime and Centurion in exchange for membership interests in LHG.

Organization of Limited Liability Companies

The limited liability companies (each an "LLC" and collectively the " LLCs") included within the combined financial statements shall continue in existence until dissolved in accordance with the provisions of their operating agreements and are funded through the equity contributions of their owners. As LLCs, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits. Pursuant to the terms of each LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets, liabilities, revenues and expenses. Actual results could differ from those estimates. These significant estimates and assumptions include: estimated fair value of goodwill and intangibles with indefinite lives, for purposes of impairment testing; estimated valuation allowance related to deferred tax assets; and estimated liability related to contingent liability.

Revenue Recognition

Transactions in securities, commissions and fees and related expenses are recorded on a trade date basis.

Commissions and fees are derived primarily from (1) commissions charged for trade execution services and (2) income generated from net executions, whereby equity orders are filled at different prices within or at the National Best Bid and Offer.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Business Combinations, Goodwill and Other Intangibles

Assets acquired and liabilities assumed are recorded at their fair values on the date of acquisition. The cost to be allocated in a business combination includes consideration paid to the sellers, including cash and the fair values of assets distributed and the fair values of liabilities assumed. Both direct (e.g., legal and professional fees) and indirect costs of the business combination are expensed as incurred. Certain agreements to acquire entities include potential additional consideration that is payable, contingent on the acquired company maintaining or achieving specified earnings levels in future periods. The fair value of any contingent consideration would be recognized on the acquisition date with subsequent changes in that fair value reflected in income. The combined financial statements and results of operations reflect an acquired business from the date of acquisition.

An intangible asset is recognized as an asset apart from goodwill if it arises from contractual or other legal rights or if it is separable (i.e. capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged). Goodwill represents the excess of the cost of each acquired entity over the amounts assigned to the tangible and identifiable intangible assets acquired and liabilities assumed.

The judgments that are made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. Traditional approaches used to determine fair value include the income, cost and market approaches. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach or combination of approaches ultimately selected is based on the characteristics of the asset and the availability of information.

Goodwill is assessed no less than annually for impairment. The fair values used in the Company's impairment testing are determined by the discounted cash flow method (an income approach) and where appropriate, a combination of the discounted cash flow method and the guideline company method (a market approach). An impairment loss is indicated if the estimated fair value of a reporting unit is less than its net book value. In such a case, the impairment loss is calculated as the amount by which the carrying value of goodwill exceeds its implied fair value.

In determining the fair value of each of the Company's reporting units, the discounted cash flow analyses employed require significant assumptions and estimates about the future operations of each reporting unit. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in the Company's 2011 discounted cash flow analyses were based on financial budgets and forecasts developed internally by management. The Company's discount rate assumptions are based on a determination of its required rate of return on equity capital.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

Other intangibles with definite lives are amortized over their useful lives of approximately 2 to 3 years. All other intangibles are assessed at least annually for impairment. If impairment is indicated, an impairment loss is calculated as the amount by which the carrying value of an intangible asset exceeds its estimated fair value.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is generally based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition, as well as specific appraisal in certain instances. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset as estimated using a cash flow model. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Income Taxes

The Company is a combination of single and multi-member limited liability companies and a corporation. The corporation is treated as an S-Corporation for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which developed common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs). This ASU clarifies how a principal market is determined, addresses the fair value measurement of instruments with offsetting market or counterparty credit risks and the concept of valuation premise and highest and best use, extends the prohibition on blockage factors to all three levels of the fair value hierarchy, and requires additional disclosures. For public entities, the ASU was effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The adoption of the ASU resulted in the Company presenting additional disclosures related to fair value measurements in note 2 to the combined financial statements.

(2) Fair Value Measurements

Fair Value Hierarchy

The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- **Level 1 Inputs:** Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the Company at the measurement date.
- **Level 2 Inputs:** Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- **Level 3 Inputs:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Determination of Fair Value

The categorization of an asset or liability within the fair value hierarchy is based on the inputs described above and does not necessarily correspond to the Company's management's perceived risk of that asset or liability. Moreover, the methods used by management may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments and nonfinancial assets and liabilities could result in a different fair value measurement at the reporting date. Descriptions of the valuation methodologies, including the valuation techniques and the input(s) used in the fair measurements for assets and liabilities on a recurring and nonrecurring basis are itemized below.

Contingent consideration payable

The Company's contingent consideration is classified as a liability and is initially measured at fair value in accordance with ASC Paragraph 805-30-25-5, and is remeasured at fair value at the end of each reporting period until the contingency is resolved with changes in fair value recognized in earnings. The Company utilizes a market approach to determine fair value and relies on Level 3 inputs and fair value measurements are therefore considered Level 3 measurements. Unobservable inputs consist of the probability of the achievement of certain EBITDA thresholds, and estimates of the probability of an IPO occurring by a certain date.

Future obligation with IPO

Future obligation with IPO is measured at fair value in accordance with ASC Subtopic 805-30-35, Subsequent Measurement in ASC Topic 805 Business Combinations. In connection with Liquid Partners, LLC, there is a contingent portion of the purchase price based on the probability of an IPO occurring by or prior to January 1, 2014, which management estimated at 90%.

Intangible assets

Intangible assets and long-lived assets held and used are measured at fair value in accordance with ASC Subtopic 360-10, *Property, Plant, and Equipment—Overall,* if a step 2 test is required. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

approach(es) is based on the specific attributes of the long-lived asset. Property, plant, and equipment is typically valued using a cost approach, while intangible assets are usually valued with an income approach. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are therefore considered Level 3 measurements. Unobservable inputs usually consist of discount rates, customer attrition rates, growth rates, royalty rates, contributory asset charges, and profitability assumptions.

Goodwill

Goodwill is tested annually for impairment in accordance with ASC Topic 350, *Intangibles—Goodwill and Other.* Step 1 entails a comparison of the fair value of the recoverable amount of each reporting unit to its carrying amount. An income approach is used to derive the fair value of each reporting unit's fair value. Unobservable inputs include discount rates, growth rates, and prospective financial information.

Recurring Fair Value Measurements

The following table presents for each level within the fair value hierarchy, the Company's recurring fair value measurements for assets and liabilities as of April 24, 2012 and December 31, 2011:

April 24, 2012

		Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Contingent consideration payable	$1,973,000	$ —	$ —	$1,973,000
Future obligation with IPO	8,327,000	—	—	8,327,000

December 31, 2011

		Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Contingent consideration payable	$5,268,904	$ —	$ —	$5,268,904
Future obligation with IPO	8,331,498	—	—	8,331,498

Non-Recurring Fair Value Measurements

The following table presents for each level within the fair value hierarchy, the Company's non-recurring fair value measurements as of April 24, 2012 and December 31, 2011:

April 24, 2012

		Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3	Total (Losses)
Other intangible assets[(1)]	$ 2,108,000	$ —	$ —	$ 2,108,000	(473,000)
Goodwill[(2)]	8,392,402	—	—	8,392,402	(2,827,000)
	$10,500,402	$ —	$ —	$10,500,402	(3,300,000)

(1) In accordance with ASC Subtopic 360-10, intangible assets were written down to their fair value, resulting in an impairment.

(2) In accordance with ASC Subtopic 350-20, goodwill was written down to its implied fair value resulting in an impairment.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011

		Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3	Total (Losses)
Other intangible assets	$ 2,581,000	$ —	$ —	$ 2,581,000	—
Goodwill	11,219,402	—	—	11,219,402	—
	$13,800,402	$ —	$ —	$13,800,402	—

Transfers between Level 1 and Level 2

There were no transfers of financial assets or liabilities between Level 1 or Level 2, or between Level 2 and Level 3 during the periods ended April 24, 2012 or December 31, 2011.

Reconciliation of Recurring Fair Value Measurements within Level 3

The following table presents a summary of changes in the fair value of the Company's Level 3 liabilities for the period ended December 31, 2012:

April 24, 2012

	Contingent Consideration Payable	Future Obligation with IPO
Opening balance	$ 5,268,904	8,331,498
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Total gains or losses for the period included in earnings:		
Realized gains (losses)	(3,300,000)	—
Unrealized gains (losses)	—	—
Purchases, issues, sales, and settlements:		
Purchases	—	—
Issues	—	—
Sales	—	—
Settlements	4,096	(4,498)
Closing balance	$ 1,973,000	8,327,000
Change in unrealized gains and losses for the period included in earnings at period end	$ —	—

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2011

	Contingent Consideration Payable	Future Obligation with IPO
Opening balance	$ —	—
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Total gains or losses for the period included in earnings:		
Realized gains (losses)	—	—
Unrealized gains (losses)	—	—
Purchases, issues, sales, and settlements:		
Purchases	—	—
Issues	5,268,904	8,331,498
Sales	—	—
Settlements	—	—
Closing balance	$5,268,904	8,331,498
Change in unrealized gains and losses for the period included in earnings at period end	$ —	—

Description of Valuation Processes for Recurring and Nonrecurring Fair Value Measurements Categorized within Level 3

Contingent consideration payable

The Company measures contingent consideration payable at the end of each reporting period. The Company determines the fair value based on a market approach. Under the market approach fair value is determined by an analysis that utilized transactions in the Company's common units and estimates of probability provided by the Company's management related to the contingent transaction terms.

Future obligation with IPO

The Company measures future obligation with IPO at the end of each reporting period. The Company determines the fair value based on a market approach. Under the market approach fair value is determined by an analysis that utilized estimates of probability provided by the Company's management related to the contingent transaction terms.

Intangible assets

The Company measures intangible assets upon a business combination or acquisition at fair value on the date of the transaction. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected approach is based on the specific attributes of the long-lived asset. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are therefore considered Level 3 measurements. The Company utilized the following valuation processes for the fair value of intangible assets as appropriate (1) the replacement cost method of the cost approach, (2) the relief from royalty method of the market approach, the (3) "with and without" method of the income approach, or (4) the excess earnings method of the income approach.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

Goodwill

The Company tests goodwill for impairment annually and more frequently if circumstances warrant. The Company determines the fair value of its reporting units using an income approach. Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company estimates future cash flows using the reporting unit's internally developed five-year forecast and includes a terminal value calculated using a long-term future growth rate based on current and expected future economic conditions. The discount rate is derived by using a capital asset pricing model and approximates the Company's expected cost of equity financing.

Level 3 Fair Value Measurements Using Significant Unobservable Inputs

The following table presents quantitative information about Level 3 fair value measurements at April 24, 2012 and December 31, 2011:

	Fair Value at April 24, 2012	Valuation Technique	Unobservable Inputs	Inputs
Recurring Fair Value Measurements				
Contingent consideration payable	$1,973,000	Market approach	Probability of IPO	90-100%
			Probability of earnout provision	50-100%
Future obligation with IPO	$8,327,000	Market approach	Contract Price	$8,327,000
Non-recurring Fair Value Measurements				
Amortizing intangible assets				
Client relationships	$1,254,000	Income approach – excess earnings method	Annual revenue growth	3%
			Annual decay factor	20%
			Income tax rate	40%
			Discount rate	21%
			Royalty rate to license technology	20%
Non-compete agreements	$ 739,000	Income approach –with-&-without method	Annual revenue growth	3%
			Annual decay factor	20%
			Income tax rate	40%
			Discount rate	21%
Indefinite-lived intangible assets				
Broker licenses	$ 115,000	Cost approach – replacement cost method	Regulatory fees to obtain broker-dealer license	$ 7,500
Goodwill	$8,392,402	Market approach – residual from purchase price method		

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

	Fair Value at December 31, 2011	Valuation Technique	Unobservable Inputs	Inputs
Recurring Fair Value Measurements				
Contingent consideration payable	$ 5,268,904	Market approach	Probability of IPO	90-100%
			Probability of earnout provision	50-100%
Future obligation with IPO	$ 8,331,495	Market approach	Probability of IPO	90-100%
			Probability of earnout provision	50-100%
Non-recurring Fair Value Measurements				
Amortizing intangible assets				
Client relationships	$ 1,572,000	Income approach – excess earnings method	Annual revenue growth	3%
			Annual decay factor	20%
			Income tax rate	40%
			Discount rate	21%
			Royalty rate to license technology	20%
Non-compete agreements	$ 894,000	Income approach – with-and-without method	Annual revenue growth	3%
			Annual decay factor	20%
			Income tax rate	40%
			Discount rate	21%

	Fair Value at April 24, 2012	Valuation Technique	Unobservable Input	Inputs
Indefinite-lived intangible assets				
Broker licenses	$ 115,000	Cost approach – replacement cost method	Transaction costs	$ 99,500- $ 115,000
Goodwill	$ 11,219,402	Market approach – residual from purchase price method		

Sensitivity to Unobservable Inputs and Relationships for Recurring Fair Value Measurements Categorized within Level 3

Internally developed valuation models or discounted cash flows are typically used to determine the fair value of Level 3 measurements. Significant unobservable inputs are identified to determine if changes could have a significant effect on fair value.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

Sensitivity to Unobservable Inputs and Relationships for Recurring Fair Value Measurements Categorized within Level 3

Internally developed valuation models are typically used to determine the fair value of Level 3 measurements. Significant unobservable inputs are identified to determine if changes could have a significant effect on fair value. In general, the values of the intangible assets valued at replacement cost would change by a smaller percentage than the change in the unobservable inputs, as these assets incorporate fixed costs that would not be affected by variable changes in the unobservable inputs.

Contingent consideration payable

The contingent consideration for Liquid Partners is based on the probability of an IPO by January 1, 2014, which management considers to have a 90% probability. If the probability of an IPO were to change, the value of the contingent consideration could change materially.

Future obligation with IPO

In addition, a portion of the Liquid Partners contingent consideration is based on the probability of achieving the EBITDA performance goals for the earnout, which management currently estimates at 50%. As the Company advances on the timeline to achieve these EBITDA goals, the uncertainty regarding the achievement of these goals will be resolved. This will move the probability of achieving the EBITDA goals to either 0% or 100% at the conclusion of the earnout period, which will have a material effect on the value of the contingent consideration.

Financial Assets and Financial Liabilities Not Measured At Fair Value

The following table summarizes the carrying amounts and estimated fair values as of April 24, 2012 and December 31, 2011 of the Company's financial assets that are not measured at fair value either on a recurring or nonrecurring basis:

April 24, 2012

	Carrying Amount	Estimated Fair Value			Total
		Level 1	Level 2	Level 3	
Financial Assets:					
Cash and cash equivalents	$121,550	121,550	—	—	121,550

December 31, 2011

	Carrying Amount	Estimated Fair Value			Total
		Level 1	Level 2	Level 3	
Financial Assets:					
Cash and cash equivalents	$428,257	428,257	—	—	428,257

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

The following is a description of the principal valuation methods used by the Company for those financial assets that are not measured at fair value either on a recurring or non-recurring basis:

Cash and cash equivalents

Fair value of cash and cash equivalents approximates the carrying amount.

(3) Business Combinations

Prime

Prime, formerly known as Taconic Capital Group Inc. ("Taconic") changed its name to Liquid Prime Services, Inc. on November 17, 2011. Taconic was formed on May 16, 2003 as a New York corporation. Prime is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

LPH completed its acquisition of Prime on October 27, 2011.

As a result of the acquisition, the Company expects to utilize Prime to provide prime brokerage services to users of its trading platform to facilitate ancillary execution services as a result of the Company's technology business, to leverage the institutional relationships to pass on savings for execution services to the Company's customers and to enable the Company to provide the facilitation of broker assisted over-the-counter transactions on our customers' behalf.

The assets and liabilities of Prime were recorded on the acquisition date, October 27, 2011, at their respective fair values, in accordance with ASC Topic 805. In connection with the acquisition, the Company also incurred $47,331 of acquisition-related costs, including legal and other professional fees. The following table summarizes the consideration paid for Prime and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Cash	$123,500
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 8,500
Identifiable intangible asset - broker license	115,000
	$123,500

The U.S. broker license intangible asset was valued using a replacement cost methodology under the cost approach.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

The amounts of Prime's revenue and earnings included in the Company's combined statement of operations for the period ended December 31, 2011 and the revenue and earnings of the combined entity had the acquisition date been January 1, 2011 are as follows:

	Revenue	Earnings (loss)
Actual from October 27, 2011 to December 31, 2011	$63,950	$(104,721)
2011 supplemental pro forma (unaudited): January 1, 2011 to December 31, 2011	$63,950	$ (84,416)

Centurion

On December 30, 2011, Guernsey, pursuant to a Membership Interest Purchase Agreement (the "Centurion Agreement"), purchased all of the issued and outstanding membership interests in Centurion for a maximum purchase price of $13,600,000. The members of Centurion received $1,000 in cash and were to be paid the remainder of the purchase price in shares of Guernsey or another holding company to be formed upon the earlier to occur of (i) the initial public offering of an entity to be formed to hold, directly or indirectly, certain rights in International and other entities (the "Holding Company") or (ii) January 1, 2014. The members of Centurion will receive the purchase price in shares broken down as follows: $8,331,096, with the remainder of $5,268,904 contingent upon certain EBITDA thresholds as defined in the agreement.

Centurion was acquired to be an early adopter and beta tester of technology developed by the Company. Centurion provided the Company with an established customer base and a select group of experienced traders and fund managers to generate valuable user feedback in the beta testing and development of the Company's technology.

The assets and liabilities of Centurion were recorded on the acquisition date, December 30, 2011, at their respective fair values, in accordance with ASC Topic 805. The customer relationships were valued using the excess earnings method of the income approach. The non-compete agreement was valued using the "with and without" method of the income approach. The following table summarizes the consideration paid for Centurion and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

Consideration:	
Cash	$ 1,000
Contingent consideration payable	13,599,000
	$13,600,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	$ 8,668
Due from affiliates	300,000
Accrued expenses	(12,370)
Due to related parties	(300,000)
Loan payable	(81,700)
Identifiable intangible assets	2,466,000
Goodwill	11,219,402
	$13,600,000

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

The goodwill of $11,219,402 arising from the acquisition consists of the value created by having Centurion's base of traders to both test the Company's trading platform as it developed and to provide the initial product customer base that would demonstrate that the product was accepted and being used by the trading community. The goodwill is not deductible for corporate income tax purposes as this was a tax free exchange.

On the acquisition date, the Company recorded an obligation to the members of Centurion totaling $8,331,000 for the future obligation payable upon IPO and $1,969,000 of contingent common units payable, resulting in an aggregate liability to the selling members of $10,300,000. The fair value of the contingent consideration payable of $10,300,000 was estimated by applying the market approach. That measure is based on significant inputs that are not observable in the market, which ASC Topic Paragraph 820-10-35 refers to as Level 3 inputs. Key assumptions included:

- The seller received shares in the Company based on a scenario analysis where the probability of an IPO by January 1, 2014 was weighted at 90%, and 10% was the probability weighting for the IPO occuring after that date, and
- The scenario analysis that assumed the probability of achieving the full contingent consideration payable of $13,600,000 at 50% for the company's IPO occurring before January 1, 2014.

The scenario analysis that assumed the probability IPO after January 1, 2014 had two components: (1) shares equal to a 3.029% ownership interest in the Company, and (2) an earnout provision in which the sellers would receive an additional 1.916% ownership interest in the Company upon the achievement of certain targets. The Company determined the probability of achieving the earnout targets was 50%.

On May 11, 2012, Guernsey assigned and transferred the interest and all of its rights and obligations under the membership purchase agreement of Centurion to LHG. Upon this transfer, LHG performed a valuation of the assets received and liabilities assumed and recorded the obligation to the members of Centurion as $8,331,000 future obligation payable upon IPO and $1,969,000 of contingent common units payable, which is an aggregate liability due to the selling Centurion members of $10,300,000. As a result of the May 11, 2012 assignment, the Company eliminated prior liabilities due to the selling members and recorded a gain on settlement of contingent consideration payable of $3,300,000.

The Company determined it was necessary to evaluate the related goodwill and related intangible assets of Centurion upon the assignment date of May 11, 2012 for impairment as a result of the decrease in the consideration payable. Based on this analysis the respective goodwill the Company determined that goodwill was impaired and recognized an impairment charge of $2,827,000 in the consolidated statements of operations. In addition, the Company recognized an impairment of charge of $318,000 related to client relationships and $155,000 related to the non-compete agreement.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

(4) Goodwill and Other Intangibles

Acquired Intangible Assets

April 24, 2012	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:				
Client relationships(1)	3 years	1,254,000	—	1,254,000
Non-compete agreements(2)	Life of agreement, 24 months	739,000	—	739,000
Total		$1,993,000	—	1,993,000
Indefinite-lived intangible assets:				
Broker license	N/A	$ 115,000	—	115,000

(1) Gross and net carrying amounts reduced by $318,000 in total due to impairment.
(2) Gross and net carrying amounts reduced by $155,000 in total due to impairment.

December 31, 2011	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:				
Client relationships	3 years	1,572,000	—	1,572,000
Non-compete agreements	Life of agreement, 24 months	894,000	—	894,000
Total		$2,466,000	—	2,466,000
Indefinite-lived intangible assets:				
Broker license	N/A	$ 115,000	—	115,000

The Company's other intangible assets subject to amortization consist of customer relationships and non- compete agreements that will be amortized over their estimated useful lives using the straight-line method, when placed in service. The broker license is considered to be an indefinite-lived asset not subject to amortization.

Goodwill

The following table presents the changes in the carrying amount of goodwill for the periods ended April 24, 2012 and December 31, 2011:

	Total
Acquisition:	
Centurion	$11,219,402
Balance at December 31, 2011	11,219,402
Impairment for the period ended April 24, 2012	(2,827,000)
Balance at April 24, 2012	$ 8,392,402

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

Goodwill impairment

The Company tests the carrying value of goodwill for impairment in accordance with ASC Topic 350, *Intangibles—Goodwill and Other*, at least annually and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. (See Note 1, *Organization and Basis for Presentation*).

The Company performed its annual goodwill impairment testing using carrying values as of the acquisition date of Centurion on December 30, 2011. Based on the results of the annual testing, no impairment was indicated as the fair values were determined to be in excess of their respective carrying values at December 31, 2011.

As a result of the value determined in the assignment of Centurion interest to LHG, the Company recorded impairment to goodwill of $2,827,000 during the period ended April 24, 2012.

Although no further impairment of goodwill was indicated during the April 24, 2012 interim testing, the Company recognizes the reasonable possibility of goodwill impairment charges in future periods given the environment for the Company's business. It is not possible at this time to determine if any such future impairment charges would result or, if they do, whether such charges would be material. The use of the term "reasonable possibility" refers to a potential occurrence that is more than remote, but less than probable in management's judgment. The Company will continue to monitor economic trends related to its business as well as re-examine the key assumptions used in its annual and interim impairment testing.

Other intangible asset impairment

The Company performed its annual goodwill impairment testing using carrying values as of the acquisition date of Centurion on December 30, 2011. Based on the results of the annual testing, no impairment was indicated as the fair values were determined to be in excess of their respective carrying values at December 31, 2011. As a result of the value determined in the assignment of Centurion interest to LHG, the Company recorded an impairment to other intangible assets of $318,000 attributed to client relationships and $155,000 attributed to non-compete agreements during the period ended April 24, 2012.

(5) Premises and Equipment

The following is a summary of premises and equipment at April 24, 2012:

Computer equipment	$178,562
Leasehold improvements	62,674
Less: accumulated depreciation	(6,912)
Total	$234,324

Depreciation expense for the period ended April 24, 2012 totaled $6,912. Assets were put into service after December 31, 2011, therefore no depreciation expense for the period end December 31, 2011.

(6) Contingent Consideration Payable

A contingent consideration arrangement required the Company to pay the members of Centurion additional shares of the resulting holding company in connection with the IPO if Centurion achieves certain EBITDA thresholds as defined in the agreement. On April 23, 2012, the terms of the Centurion purchase were amended

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

and the contingency based on EBITDA was removed and amended to provide for a fixed amount. The requirements to pay the selling members of Centurion meet the requirements for liability classification under ASC Topic 480, *Distinguishing Liabilities from Equity*.

(7) Commitments and Contingencies

During 2011, Centurion began subleasing office space in New York, on a month-to-month basis for $52,000 per month. A related party advanced the money on a monthly basis to fund this rent. This month-to-month arrangement ended on May 11, 2012 when the rights to Centurion were assigned to LHG. Rent expense incurred under these operating leases for the period ended April 24, 2012 amounted to $153,081.

The Company may periodically be involved in litigation and various legal matters that arise in the normal course of business, including proceedings relating to regulatory matters. Such matters are subject to many uncertainties and outcomes that are not predictable. The Company currently has no outstanding litigation.

(8) Certain Relationships and Related Party Transactions

QuantX Management, LLP (f/k/a Liquid Trading Int'l, LLP) ("QuantX") was formed on February 18, 2008 and operates as a private trading firm and owns all of the Class A Units of LTI, LLC, ("LTI"), as the managing member. During 2011, QuantX facilitated the payment of expenses related to the operations of LTI, LLC and pursuit of the formation of an entity for the IPO process. Ferdinand Trading LLC ("FT") is a private trading firm which is partially owned by Brian Ferdinand, an individual who is also the controlling owner of the Company. During 2011, FT facilitated the payment of expenses related to the potential IPO offering of Guernsey. In anticipation of these expenses LTI prepaid to QuantX and FT monies. The Company recognized $589,713 at April 24, 2012 and December 31, 2011, as Due to related parties on the combined balance sheet with respect to these transactions.

Centurion incurred expenses that were paid by two entities owned by Ferdinand. These payments totaled $189,466 and $81,700, and are included in Due to related parties in the combined balance sheet at April 24, 2012 and December 31, 2011, respectively.

(9) Net Capital Requirements

Prime is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of $5,000 at April 24, 2012. This minimum net capital was increased on May 21, 2012 to $100,000. Dividends or withdrawals of capital cannot be made if capital is needed to comply with regulatory requirements. At April 24, 2012 and December 31, 2011, Prime's net capital, as defined, was in excess of the minimum amount required pursuant to Rule 15c3-1.

(10) Income Taxes

One of the legal entities, Prime, within the combined Company group is treated as a S-Corporation for Federal, state and local income tax purposes. The other three entities: LPH, Centurion, and Guernsey are single and multi-member limited liability companies. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. Prime is however, subject to the New York City General Corporation Tax.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

As of April 24, 2012 and December 31, 2011, Prime had $40,844 and $7,469 of deferred tax assets (DTAs) related to net operating losses and intangibles. Prime analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the NYC DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $40,844 and $7,469, respectively. The change in the valuation allowance is $33,375 and $7,469 for the periods ended April 24, 2012 and December 31, 2011, respectively.

The significant components of income taxes attributable to continuing operations are is a deferred tax benefit for state and local taxes of $40,844 and $7,469, respectively, which is offset by a 100% valuation allowance.

The statutory tax rate, consisting of NYC General Corporation Tax, is 8.85%. This rate differs from the effective tax rate due to a full valuation allowance.

As of April 24, 2012 and December 31, 2011, Prime has a New York City net operating loss carryover (“NOL”) of $346,512 and $84,391, respectively. This NOL will expire in 2032 and 2031, respectively.

Prime does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2009
New York State	2009
New York City	2009
Florida	2010
Guernsey	2011

The Company’s policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the periods ended April 24, 2012 and December 31, 2011. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(11) Owner’s Equity

The Company presently does not pay cash distributions on common units as its policy is to retain earnings to finance the operations and expansion of its businesses.

LPH is a single member LLC owned by Brian Ferdinand. Prime is the wholly owned subsidiary of LPH. During 2011, LTI, LLC, an entity in which International is the managing member and which Brian Ferdinand partially owns, advanced $620,000 to Mr. Ferdinand for the capital that he initially invested.

Guernsey is a company incorporated under the laws of Guernsey. The sole member of Guernsey is LTIH, LLP which is controlled by Brian Ferdinand.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

Guernsey was formed to be the ultimate holding company for a group of companies that would go public in the UK and listed on the AIM. This reorganization under Guernsey never took place and has since been abandoned in favor of the formation and reorganization under Liquid Holdings Group, LLC. As a result of Guernsey's abandonment of its plan to list on AIM, $137,642 in offering expenses have been recognized in the Statement of Operations for the period ended December 31, 2011.

In January 2012, LTI and International entered in to a Use of Proceeds Agreement which was amended in the same month, which stated that International, the Class A and managing Member of LTI, and indirectly jointly controlled by Brian Ferdinand, Richard Schaeffer and Robert Keller agreed to procure the Class B Units in exchange for equal shares in a private entity if the IPO is not consummated as described in the Use of Proceeds Agreement.

On January 10, 2012, pursuant to the Use of Proceeds Agreement, between LTI and International as amended on January 19, 2012, the Class B Members are to exchange their Class B Units for shares in Guernsey or another entity to be formed to hold, directly or indirectly, certain rights of International, Green Mountain Analytics, LLC and other entities (Liquid Holdings Group , LLC, "LHG", or the "Holding Company") upon the Holding Company's admission to trading on AIM or any other stock exchange ("Admission").

LHG, a Delaware limited liability company, was formed on January 17, 2012. LHG is the entity that has been formed with the intention of being the holding company to own the Company and the Liquid Companies, and other entities through acquisitions and ultimately pursue an IPO in the US.

(12) Subsequent Events

The Company evaluates events occurring after the date of the reporting period for potential recognition or disclosure in its financial statements. Subsequent events have been evaluated through April 10, 2013, the date these combined financial statements were available to be issued.

Were Admission to have taken place at any time on or prior to October 10, 2012, the Class B Members were to receive an aggregate of 3.4% of the issued share capital of the Holding Company, subject to downward adjustment as a result of LTI failing to receive subscriptions in an aggregate amount of $5,000,000 or more.

If Admission takes place after October 10, 2012, the Class B Members will receive an aggregate of 3.51% of the issued share capital in the holding company that owns the Class A membership interests of International and 51% of the membership interests of Green Mountain Analytics, LLC. However, if these interests are held by two separate holding companies, the Class B Members will receive an aggregate of 3.51% of the issued share capital in each such holding company. In either case, the percentage interest to be received by the Class B Members is subject to downward adjustment as a result of LTI failing to receive subscriptions in an aggregate amount of $5,000,000 or more.

On April 24, 2012 and June 5, 2012, the members of Futures, LPH and Liquid Trading Institutional LLP executed agreements with LHG agreeing to contribute all of the outstanding membership interests in the individual entities in exchange for membership interests in LHG.

On April 27, 2012, LHG acquired the software intellectual property of Tragara Alpha Partners LLC, ("Tragara"). In consideration of the contribution the sole member of Tragara received membership interest of 5% in LHG.

Table of Contents

LIQUID PREDECESSOR COMPANIES
(A Development Stage Company)

NOTES TO COMBINED FINANCIAL STATEMENTS

On May 11, 2012, Guernsey assigned and transferred the interest and all of its rights and obligations under the membership purchase agreement of Centurion to LHG.

On June 28, 2012, LHG entered in to a subscription agreement with an individual for membership interest in LHG and received $12.5 million.

On July 31, 2012, LHG completed its acquisition of Fundsolve Limited. Fundsolve is a portfolio risk reporting company which serves medium to large hedge funds with its own proprietary technology including a central database, and risk calculation engine.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Member
Liquid Prime Holdings, LLC:

We have audited the accompanying consolidated balance sheet of Liquid Prime Holdings, LLC and subsidiary as of October 4, 2012, and the related consolidated statements of operations, changes in member's equity, and cash flows for the period from April 25, 2012 to October 4, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liquid Prime Holdings, LLC and subsidiary as of October 4, 2012, and the results of their operations and their cash flows for the period from April 25, 2012 to October 4, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
April 10, 2013

Table of Contents

LIQUID PRIME HOLDINGS, LLC

CONSOLIDATED BALANCE SHEET
OCTOBER 4, 2012

ASSETS

Current assets:	
Cash	$ 936,230
Deposit with clearing broker	250,072
Receivables from clearing brokers	451,311
Prepaid expenses and other current assets	58,309
Total current assets	1,695,922
Property and equipment, net	258,588
Other assets:	
Security deposit	150,000
Other intangible assets	115,000
TOTAL ASSETS	$2,219,510

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Accounts payable and accrued expenses	$ 194,515
Due to other related parties	48,136
Deferred rent	12,194
Total current liabilities	254,845
Commitments and contingencies (Note 6)	
Member's equity:	
Capital contributed	2,820,100
Accumulated deficit	(855,435)
Total member's equity	1,964,665
TOTAL LIABILITIES AND MEMBER'S EQUITY	$2,219,510

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIOD FROM APRIL 25, 2012 TO OCTOBER 4, 2012

Revenues from brokerage activities	$ 464,002
Cost of revenues from brokerage activities	318,387
Gross margin	145,615
Operating expenses:	
Computer and technology	180,452
Salaries and benefits	188,414
Rent	96,966
Professional fees	60,036
Depreciation and amortization	22,444
Communications	61,763
Other	25,150
Total operating expenses	635,225
Loss from operations	(489,610)
Non-operating income:	
Interest income	127
Loss from operations	(489,483)
Provision for income taxes	—
Net loss	$(489,483)

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

CONSOLIDATED STATEMENT OF CHANGES MEMBER'S EQUITY
FOR THE PERIOD FROM APRIL 25, 2012 TO OCTOBER 4, 2012

	Capital Contributed	Accumulated Deficit	Total
Beginning Balance - April 25, 2012	$ 970,100	(365,952)	$ 604,148
Member's contributions	1,850,000	—	1,850,000
Net loss	—	(489,483)	(489,483)
MEMBER'S EQUITY - OCTOBER 4, 2012	$2,820,100	$ (855,435)	$1,964,665

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM APRIL 25, 2012
TO OCTOBER 4, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (489,483)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	22,444
Deferred rent	12,194
Changes in operating assets and liabilities:	
Receivables from clearing brokers	(451,311)
Prepaid expenses and other current assets	(58,309)
Security deposit	(150,000)
Accounts payable and accrued expenses	78,199
NET CASH USED IN OPERATING ACTIVITIES	(1,036,266)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(46,708)
NET CASH USED IN INVESTING ACTIVITIES	(46,708)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contribution from member	1,850,000
Advances from related party	48,136
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,898,136
NET INCREASE IN CASH	815,162
CASH - Beginning	121,068
CASH - Ending	$ 936,230

See accompanying notes to consolidated financial statements.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

Liquid Prime Holdings, LLC, ("LPH" or the "Company"), is a Delaware limited liability company that was formed in September 2011, to be a holding company for Liquid Prime Services, Inc. ("Prime"). Prime formerly known as Taconic Capital Group Inc. ("Taconic") changed its name to Liquid Prime Services, Inc. on November 17, 2011. Taconic was formed on May 16, 2003 as a New York Corporation. Prime is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority. LPH is wholly-owned by a single individual, Brian Ferdinand.

LPH shall continue in existence until dissolved in accordance with the provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses and distributions are generally allocated to the members in accordance with their ownership percentages.

The consolidated financial statements of the Company have been prepared to present the consolidated financial position of Liquid Prime Holdings, LLC and its wholly-owned subsidiary, Prime, as of October 4, 2012 (the date prior to Prime's acquisition by Liquid Holdings Group, LLC ("LHG")), and the results of Prime's operations and Prime's cash flows for the period from April 25, 2012 to October 4, 2012. The Company is included in the combined financial position and results of operations of Liquid Predecessor Companies as of April 24, 2012 and for the period from January 1, 2012 to April 24, 2012. The Company's financial results for the period from date of formation to December 31, 2011 were prepared as an entity in the development stage pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, *Development Stage Entities*. The Company's operating subsidiary, Prime, is no longer considered to be in the development stage as it has commenced its principal operations and is generating revenues there from.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiary in conformity with U.S. generally accepted accounting principles. All intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated companies (generally 20 to 50 percent ownership), in which the Company has the ability to exercise significant influence, but neither has a controlling interest nor is the primary beneficiary, are accounted for under the equity method. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method. Under certain criteria indicated in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810—*Consolidation*, a partially-owned affiliate would be consolidated when it has less than a 50% ownership if the Company was the primary beneficiary of that entity. At the present time, the Company has no interests in variable interest entities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to

make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Premises and Equipment

Furniture, fixtures and equipment are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (generally three to seven years). Leasehold improvements are carried at cost and are depreciated over the remaining term of the lease.

Revenue Recognition

Transactions in securities, commissions and fees and related expenses are recorded on a trade date basis.

Commissions and fees are derived primarily from (1) commissions charged for trade execution services and (2) income generated from net executions, whereby equity orders are filled at different prices within or at the National Best Bid and Offer.

Business Combinations, Goodwill and Other Intangibles

Assets acquired and liabilities assumed are recorded at their fair values on the date of acquisition. The cost to be allocated in a business combination includes consideration paid to the sellers, including cash and the fair values of assets distributed and the fair values of liabilities assumed. Both direct (e.g., legal and professional fees) and indirect costs of the business combination are expensed as incurred. Certain agreements to acquire entities include potential additional consideration that is payable, contingent on the acquired company maintaining or achieving specified earnings levels in future periods. The fair value of any contingent consideration would be recognized on the acquisition date with subsequent changes in that fair value reflected in income. The combined financial statements and results of operations reflect an acquired business from the date of acquisition.

An intangible asset is recognized as an asset apart from goodwill if it arises from contractual or other legal rights or if it is separable (i.e. capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged). Goodwill represents the excess of the cost of each acquired entity over the amounts assigned to the tangible and identifiable intangible assets acquired and liabilities assumed.

The judgments that are made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact net income in periods following a business combination. Traditional approaches used to determine fair value include the income, cost and market approaches. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach or combination of approaches ultimately selected is based on the characteristics of the asset and the availability of information.

Goodwill is assessed no less than annually for impairment. The fair values used in the Company’s impairment testing are determined by the discounted cash flow method (an income approach) and where appropriate, a combination of the discounted cash flow method and the guideline company method (a market approach). An impairment loss is indicated if the estimated fair value of a reporting unit is less than its net book value. In such a case, the impairment loss is calculated as the amount by which the carrying value of goodwill exceeds its implied fair value.

In determining the fair value of each of the Company’s reporting units, the discounted cash flow analyses employed require significant assumptions and estimates about the future operations of each reporting unit.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in the Company's 2011 discounted cash flow analyses were based on financial budgets and forecasts developed internally by management. The Company's discount rate assumptions are based on a determination of its required rate of return on equity capital.

Other intangibles with definite lives are amortized over their useful lives of approximately 2 to 3 years. All other intangibles are assessed at least annually for impairment. If impairment is indicated, an impairment loss is calculated as the amount by which the carrying value of an intangible asset exceeds its estimated fair value.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is generally based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition, as well as specific appraisal in certain instances. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset as estimated using a cash flow model. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Income Taxes

The Company is a single member limited liability company that wholly owns Prime, which is treated as an S-corporation for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which developed common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. generally accepted accounting principles and International Financial Reporting Standards (IFRSs). This ASU clarifies how a principal market is determined, addresses the fair value measurement of instruments with offsetting market or counterparty credit risks and the concept of valuation premise and highest and best use, extends the prohibition on blockage factors to all three levels of the fair value hierarchy, and requires additional disclosures. For public entities, the ASU was effective for interim and annual periods beginning on or after December 15, 2011, with early adoption prohibited. The adoption of the ASU resulted in the Company presenting additional disclosures related to fair value measurements in note 2 to the consolidated financial statements.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Fair Value Measurements

Fair Value Hierarchy

The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- **Level 1 Inputs:** Unadjusted quoted prices for identical assets or liabilities in active markets accessible to the Company at the measurement date.
- **Level 2 Inputs:** Other than quoted prices included in Level 1, inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- **Level 3 Inputs:** Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Determination of Fair Value

The categorization of an asset or liability within the fair value hierarchy is based on the inputs described above and does not necessarily correspond to the Company's management's perceived risk of that asset or liability. Moreover, the methods used by management may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments and nonfinancial assets and liabilities could result in a different fair value measurement at the reporting date. Descriptions of the valuation methodologies, including the valuation techniques and the input(s) used in the fair measurements for assets and liabilities on a recurring and nonrecurring basis are itemized below.

Intangible assets

Intangible assets and long-lived assets held and used are measured at fair value in accordance with ASC Subtopic 360-10, *Property, Plant, and Equipment—Overall,* if a step 2 test is required. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected approach(es) is based on the specific attributes of the long-lived asset. Property, plant, and equipment is typically valued using a cost approach, while intangible assets are usually valued with an income approach. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are therefore considered Level 3 measurements. Unobservable inputs usually consist of discount rates, customer attrition rates, growth rates, royalty rates, contributory asset charges, and profitability assumptions.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recurring Fair Value Measurements

The Company did not have any financial assets or liabilities that were measured at fair value on a recurring basis at October 4, 2012.

Non-Recurring Fair Value Measurements

The following table present for each level within the fair value hierarchy, the Company's non-recurring fair value measurements as of October 4, 2012:

		Fair Value Measurements Using			Total
	Total	Level 1	Level 2	Level 3	(Losses)
Other intangible assets – broker license	$115,000	$ —	$ —	$115,000	—

Transfers between Level 1 and Level 2

There were no transfer of financial assets or liabilities between Level 1 or Level 2, or between Level 2 and Level 3 during the periods ended October 4, 2012.

Description of Valuation Processes for Recurring and Nonrecurring Fair Value Measurements Categorized within Level 3

Intangible assets

The Company measures intangible assets upon a business combination or acquisition at fair value on the date of the transaction. To estimate the fair value of long-lived assets held and used, the income, market, and cost approaches to value are considered. The selected approach is based on the specific attributes of the long-lived asset. Although Level 1 and 2 inputs may be available for certain inputs to the valuation approach, reliance on Level 3 inputs is generally required and the fair value measurements are therefore considered Level 3 measurements. The Company utilized the following valuation processes for the fair value of intangible assets as appropriate (1) the replacement cost method of the cost approach, (2) the relief from royalty method of the market approach, the (3) "with and without" method of the income approach, or (4) the excess earnings method of the income approach.

Level 3 Fair Value Measurements Using Significant Unobservable Inputs

The following table presents quantitative information about Level 3 fair value measurements at April 24, 2012:

	Fair Value at October 4, 2012	Valuation Technique	Unobservable Input	Range
Broker license	$115,000	Cost approach – replacement cost method	Transaction costs	$99,500 – $115,000

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Assets and Financial Liabilities Not Measured At Fair Value

The following table summarizes the carrying amounts and estimated fair values as of October 4, 2012 of the Company's financial assets that are not measured at fair value either on a recurring or nonrecurring basis:

	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	$936,230	936,230	—	—	936,230

The following is a description of the principal valuation methods used by the Company for those financial assets that are not measured at fair value either on a recurring or non-recurring basis:

Cash and cash equivalents

Fair value of cash and cash equivalents approximates the carrying amount.

(3) Receivables from Broker Dealers

Prime clears its transactions through another broker dealer on a fully disclosed basis.

(4) Other Intangible Asset

The Company performed an intangible impairment test on October 4, 2012 upon the completion of the assignment of membership interest to LHG. Based on the results of the test no impairment was indicated as the fair value exceeded its carrying amount.

(5) Premises and Equipment

The following is a summary of premises and equipment at October 4, 2012:

Computer equipment	$217,417
Leasehold improvements	70,528
Less: accumulated depreciation and amortization	(29,357)
Total	$258,588

Depreciation expense for the period from April 25, 2012 to October 4, 2012 totaled $22,444.

(6) Commitments and Contingencies

The Company has entered into a lease for certain offices and equipment, which expire September 30, 2018. The Company has also entered into a revenue sharing agreement with a related party for a portion of that rent. The net rent expense for the period ended October 4, 2012 was $96,966, and is recorded in rent expense in the Consolidated Statement of Operations.

The Company recognizes rent expense for escalation clauses, rent holidays, leasehold improvement incentives and other concessions using the straight-line method over the minimum lease term.

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Minimum future rental commitments under non-cancelable operating leases follow:

Year Ending October 4,	
2013	$ 314,445
2014	326,113
2015	334,266
2016	342,623
2017	351,188
2018 and thereafter	359,968
Total	$2,028,603

The Company may periodically be involved in litigation and various legal matters that arise in the normal course of business, including proceedings relating to regulatory matters. Such matters are subject to many uncertainties and outcomes that are not predictable. The Company currently has no outstanding litigation.

(7) Certain Relationships and Related Party Transactions

The Company has entered into a rent sharing agreement with an affiliated entity. The affiliated company pays a monthly amount to Prime for their allocable portion of the rent of approximately $13,000 per month. There were no amounts receivable at October 4, 2012 with respect to this rent sharing arrangement.

The Company uses computer technology provided by an affiliated entity, LHG. The amount of computer technology that was paid to LHG during the period ended October 4, 2012 amounted to $104,529 and is included on the consolidated statement of operations as computer and technology expense. There were no amounts due at October 4, 2012 for these services.

During the period ended October 4, 2012, an entity related by Brian Ferdinand agreed to pay certain operating expenses of the Company. The total of these payments is $48,136 and is presented as a Due to other related party on the consolidated balance sheet.

(8) Net Capital Requirement

Prime is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of $5,000 at April 24, 2012. This minimum net capital was increased as of May 21, 2012 to $100,000. Dividends or withdrawals of capital cannot be made if capital is needed to comply with regulatory requirements. At October 4, 2012, Prime's net capital, as defined, was in excess of the minimum amount required pursuant to Rule 15c3-1.

(9) Income Taxes

Prime is treated as an S-Corp for Federal and state and local income tax purpose. LPH is a single-member limited liability company treated as a disregarded entity. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. Prime is however, subject to the New York City General Corporation Tax ("NYCGCT").

Table of Contents

LIQUID PRIME HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of October 4, 2012, the Company had $84,152 of deferred tax assets (“DTAs”) related to operating losses and intangible assets. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $84,152. The change in the valuation allowance is $43,309.

The significant components of income taxes attributable to continuing operations is a deferred state and local deferred tax benefit of $84,152, offset by a 100% valuation allowance.

The statutory tax rate, consisting of NYCGCT, is 8.85%. This rate differs from the effective tax rate due to a full valuation allowance established.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2011
New York State	2011
New York City	2011

The Company’s policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the period ended October 4, 2012. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(10) Members’ Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of its businesses. Distributions to members are in accordance with each member’s pro rata percentage interests.

The Company is a single member LLC owned by Brian Ferdinand. Prime is the wholly owned subsidiary of LPH. On April 24, 2012, Brian Ferdinand executed an agreement with LHG agreeing to contribute all of the outstanding membership interests in Prime in exchange for membership interests in LHG. This contribution became effective on October 5, 2012 upon receipt of regulatory approval from FINRA for the transfer of ownership.

(11) Subsequent Events

On April 24, 2012, Brian Ferdinand executed an agreement with LHG agreeing to contribute all of the outstanding membership interests in Prime in exchange for membership interests in LHG. This contribution became effective on October 5, 2012 upon receipt of regulatory approval from FINRA for the transfer of ownership.

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through April 10, 2013, the date on which these financial statements were available to be issued.

Table of Contents

Independent Auditors' Report

The Members
Liquid Futures, LLC:

We have audited the accompanying balance sheet of Liquid Futures, LLC (a development stage company) (the "Company") as of December 31, 2011, and the related statements of operations and changes in members' equity, and cash flows for the period from August 25, 2011 (date of formation) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liquid Futures, LLC as of December 31, 2011, and the results of its operations and its cash flows for the period from August 25, 2011 (date of formation) to December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
December 10, 2012

Table of Contents

LIQUID FUTURES, LLC
(A Development Stage Company)
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

Current assets:	
Cash	$1,339,160
Prepaid expenses and other assets	2,500
Total current assets	1,341,660
TOTAL ASSETS	$1,341,660

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:	
Accrued expenses	$ 3,540
Members' equity (inclusive of accumulated deficit during development stage of $11,880)	1,338,120
TOTAL LIABILITIES AND MEMBERS' EQUITY	$1,341,660

See accompanying notes to financial statements.

Table of Contents

LIQUID FUTURES, LLC
(A Development Stage Company)
STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM AUGUST 25, 2011 (DATE OF FORMATION)
TO DECEMBER 31, 2011

Revenues	$ —
Costs and expenses:	
Professional fees	5,540
General and administrative	6,340
Total costs and expenses	11,880
Net loss	(11,880)
Members' equity - beginning of year	—
Members' capital contribution	1,350,000
MEMBERS' EQUITY - END OF YEAR	$1,338,120

See accompanying notes to financial statements.

Table of Contents

LIQUID FUTURES, LLC
(A Development Stage Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM AUGUST 25, 2011 (DATE OF FORMATION)
TO DECEMBER 31, 2011

Cash flows from operating activities:	
Net loss	$ (11,880)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Prepaid expenses	(2,500)
Accrued expenses	3,540
Net cash used in operating activities	(10,840)
Cash flows provided by financing activities:	
Members' capital contribution	1,350,000
Net increase in cash and cash equivalents	1,339,160
Cash - beginning	—
CASH - ENDING	$1,339,160

See accompanying notes to financial statements.

Table of Contents

LIQUID FUTURES, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

Liquid Futures, LLC, ("Futures" or the "Company"), was formed as a limited liability company ("LLC"), on August 25, 2011 in the state of Delaware. Futures shall continue in existence until dissolved in accordance with the provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses and distributions are generally allocated to the members in accordance with their ownership percentages.

Futures is a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Commission ("CFTC") and was approved as a member of the National Futures Association ("NFA") on March 15, 2012.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

(2) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. The Company is however, subject to the New York City Unincorporated Business Tax ("UBT").

Table of Contents

LIQUID FUTURES, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

As of December 31, 2011, the Company had $475 of deferred tax assets (DTAs) related to start-up expenditures. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $475. The change in the valuation allowance is $475.

The significant components of income taxes attributable to continuing operations is a deferred state and local deferred tax benefit of $475, offset by a 100% valuation allowance.

The statutory tax rate, consisting of UBT, is 4%. This rate differs from the effective tax rate of 0.00% due to a full valuation allowance that has been established.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2011
New York State	2011
New York City	2011

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the year ended December 31, 2011. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(3) Members' Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of its businesses. Distributions to members are in accordance with each member's pro rata percentage interests.

The Company is owned by two individuals: 90% by Richard Schaeffer, and 10% by Brian Ferdinand (the "Individuals"). Futures was formed to become a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Association ("CFTC") and was approved as a member of the National Futures Association ("NFA") on March 15, 2012. During 2011, LTI, LLC, an entity in which International is the managing member and which Brian Ferdinand partially owns, advanced $1,350,000 to the Individuals for the capital that they initially invested to form the Company.

(4) Subsequent Events

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through December 10, 2012, the date on which these financial statements were available to be issued.

Table of Contents

LIQUID FUTURES, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

On April 24, 2012, the members of the Company executed an agreement with Liquid Holdings Group, LLC ("LHG") agreeing to contribute their membership interests in Futures in exchange for membership interests in LHG subject to the receipt of regulatory approval from the NFA, which was received on May 9, 2012.

Table of Contents

LIQUID FUTURES, LLC

**UNAUDITED CONDENSED STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JANUARY 1, 2012 TO MARCH 31, 2012**

Revenues	$ 44,718
Costs and expenses:	
Professional fees	33,123
General and administrative	28,851
Total operating expenses	61,974
Net (loss)	$(17,256)

See accompanying notes to unaudited condensed financial statements.

Table of Contents

LIQUID FUTURES, LLC

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM JANUARY 1, 2012 TO MARCH 31, 2012**

Members' equity – beginning of year	$1,338,120
Members' capital contribution	175,000
Net (loss)	(17,256)
MEMBERS' EQUITY – END OF PERIOD	$1,495,864

See accompanying notes to unaudited condensed financial statements.

Table of Contents

LIQUID FUTURES, LLC

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1, 2012 TO MARCH 31, 2012

Cash flows from operating activities:	
Net loss	$ (17,256)
Adjustments to reconcile net loss to net cash used in operating actives:	
Changes in assets and liabilities:	
Accounts receivable	(44,718)
Prepaid expenses	405
Advances to related parties	(200,000)
Accrued expenses and other current liabilities	1,192
Net cash used in operating activities	(260,377)
Cash flows provided by financing activities:	
Members' capital contribution	75,000
Net decrease in cash and cash equivalents	(185,377)
Cash and cash equivalents – beginning	1,339,160
CASH AND CASH EQUIVALENTS – ENDING	$1,153,783
NON-CASH FINANCING ACTIVITIES:	
Member's contribution related to other assets	$ 100,000

See accompanying notes to unaudited condensed financial statements.

Table of Contents

LIQUID FUTURES, LLC
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organizationand Nature of Operations

Liquid Futures, LLC, ("Futures" or the "Company"), was formed as a limited liability company ("LLC"), on August 25, 2011 in the state of Delaware. Futures shall continue in existence until dissolved in accordance with the provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses and distributions are generally allocated to the members in accordance with their ownership percentages.

Futures is a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Commission ("CFTC") and was approved as a member of the National Futures Association ("NFA") on March 15, 2012.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended March 31, 2012 are not necessarily indicative of expected future results. An unaudited condensed balance sheet of the Company as of the end of the reporting period has been omitted as the audited consolidated balance sheet as of December 31, 2012 of the acquirer, Liquid Holdings Group, LLC, is after the consummation date of the Company's acquisition. Unaudited condensed financial statements for the comparable period ended March 31, 2011 have not been presented as the Company was not formed until August 25, 2011.

The Company's financial statements for the period from August 25, 2011 (date of formation) to December 31, 2011 were prepared as an entity in the development stage pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, *Development Stage Entities*. The Company is no longer considered to be in the development stage as it has commenced its principal operations and is generating revenues there from.

Revenue recognition

The Company generates revenue through commissions and fees derived from facilitating securities transactions on behalf of the clients. Such commissions and fees are recorded on a trade basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition

Table of Contents

LIQUID FUTURES, LLC
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

(2) Other Assets

On March 9, 2012 the Company advanced $200,000 to a non-affiliated entity, which remained receivable as of March, 31 2012. The balance was repaid back to the Company on July 20, 2012.

In addition, the Company received a non-cash capital contribution from one of the members in the amount of $100,000. The contribution was advanced to a non-affiliated entity, which remained receivable as of March 31, 2012. The balance was repaid back to the member on July 20, 2012.

(3) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. The Company is however, subject to the New York City Unincorporated Business Tax (“UBT”).

As of December 31, 2011, the Company had $475 of deferred tax assets (DTAs) related to start-up expenditures. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $475. The change in the valuation allowance is $475.

The significant components of income taxes attributable to continuing operations is a deferred state and local deferred tax benefit of $475, offset by a 100% valuation allowance.

The statutory tax rate, consisting of UBT, is 4%. This rate differs from the effective tax rate of 0.00% due to a full valuation allowance that has been established.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2011
New York State	2011
New York City	2011

Table of Contents

LIQUID FUTURES, LLC
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the year ended December 31, 2011. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(4) Members' Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of its businesses. Distributions to Members are in accordance with each member's pro rata percentage interests.

The Company is owned by two individuals: 90% by Richard Schaeffer, and 10% by Brian Ferdinand (the "Individuals"). Futures was formed to become a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Association ("CFTC") and was approved as a member of the National Futures Association ("NFA") on March 15, 2012. During 2011, LTI, LLC, an entity in which International is the managing member and which Brian Ferdinand partially owns, advanced $1,350,000 to the Individuals for the capital that they initially invested to form the Company.

During the three month period ended March 31, 2012 the Company received $75,000 in additional cash contributions which were advanced to the Individuals from LTI, LLC, and a $100,000 non-cash contribution. The non-cash contribution is reflected in other assets on the Company's balance sheet.

(5) Related Party Transactions

During the three month period ended March 31, 2012 a member of the Company paid expenses on behalf of the Company. The balance of $4,732 is payable to the member at March 31, 2012.

(6) Net Capital Requirements

As a registered broker-dealer, the Company is subject to CFTC Rule 1.17, which requires the maintenance of minimum net capital. Net capital and aggregate indebtedness change from day to day. As of March 31, 2012, the Company had net capital of $1,195,864 which exceeded the net capital requirement of $1,018,000.

(7) Subsequent Events

On April 24, 2012, the members of the Company executed an agreement with Liquid Holdings Group, LLC ("LHG") agreeing to contribute their membership interests in Futures in exchange for membership interests in LHG subject to the receipt of regulatory approval from the NFA, which was received on May 9, 2012.

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through April 10, 2013, the date on which these financial statements were available to be issued.

Table of Contents

Independent Auditors' Report

The Members
LTI, LLC:

We have audited the accompanying balance sheet of LTI, LLC (a development stage company) (the "Company"), as of December 31, 2011, and the related statements of operations, changes in members' equity, and cash flows for the period from August 22, 2011 (date of formation) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LTI, LLC (a company in the development stage) as of December 31, 2011, and the results of its operations and its cash flows for the period from August 22, 2011 (date of formation) to December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
December 10, 2012

Table of Contents

LTI, LLC
(A Development Stage Company)
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

Current assets:	
Cash	$ 695,870
Due from related parties	3,235,901
Prepaid expenses	14,000
Total current assets	3,945,771
TOTAL ASSETS	$3,945,771

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Due to related parties	$ 125,000
Total current liabilities	125,000
Members' equity (inclusive of accumulated deficit during development stage of $4,230)	3,820,771
TOTAL LIABILITIES AND MEMBERS' EQUITY	$3,945,771

See accompanying notes to financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM AUGUST 22, 2011 (DATE OF FORMATION)
TO DECEMBER 31, 2011

Revenues	$ —
Costs and expenses:	
Professional fees	4,000
General and administrative	230
Total costs and expenses	4,230
Net loss	$(4,230)

See accompanying notes to financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM AUGUST 22, 2011 (DATE OF FORMATION)
TO DECEMBER 31, 2011

	Class A Unit	Class B Units	Accumulated Deficit	Total
Balance – August 22, 2011 (inception)	$ —	$ —	$ —	$ —
Issuance of 1 Class A Unit on September 20, 2011	1	—	—	1
Issuance of 4,250 Class B Units on September 20, 2011, net of fees	—	3,825,000	—	3,825,000
Net loss	—	—	(4,230)	(4,230)
MEMBERS' EQUITY - ENDING	$ 1	$3,825,000	$ (4,230)	$3,820,771

See accompanying notes to financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM AUGUST 22, 2011 (DATE OF FORMATION)
TO DECEMBER 31, 2011

Cash flows from operating activities:	
Net loss	$ (4,230)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Prepaid expenses	(14,000)
Net cash used in operating activities	(18,230)
Cash flows from financing activities:	
Members' capital contribution	4,250,001
Finders fee on capital raise	(300,000)
Due from related parties	(3,235,901)
Net cash provided by financing activities	714,100
Net increase in cash	695,870
Cash - beginning	—
CASH - ENDING	$ 695,870
Supplemental disclosure of non cash item:	
Finders fee netted against capital not yet paid	$ 125,000

See accompanying notes to financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

LTI, LLC (a development stage company) ("LTI" or the "Company") is a Delaware limited liability company formed on August 22, 2011.

The Company was formed to invest in a future Initial Public Offering ("IPO") which was to be Liquid Trading Holdings Limited ("Guernsey"). Guernsey, a company incorporated under the laws of Guernsey, was formed on October 6, 2011. Guernsey was initially formed to be a holding company that would go public in the United Kingdom and listed on the London Stock Exchange Alternative Investments Market ("AIM").

The Company is considered to be a development stage company and as such, the Company's financial statements are presented in accordance with FASB Accounting Standards Codification ("ASC") Topic 915 *Development Stage Entities*. The Company is subject to all of the risks associated with development stage companies.

Organization of LTI, LLC

LTI, LLC shall continue in existence until dissolved in accordance with provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

(2) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. The Company is however, subject to the New York City Unincorporated Business Tax ("UBT").

As of December 31, 2011, the Company had $169 of deferred tax assets (DTAs) related to net operating losses and start-up costs. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the UBT DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $169. The change in the valuation allowance is $169.

The significant components of income taxes attributable to continuing operations are a deferred state and local tax benefit of $169 offset by a 100% valuation allowance.

The statutory tax rate, consisting of UBT, is 4%. This rate differs from the effective tax rate of 0.00% due to a full valuation allowance that has been established.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2011
New York State	2011
New York City	2011

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the year ended December 31, 2011. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(3) Members' Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of its businesses. Distributions to Members are in accordance with each member's pro rata percentage interests.

The Company's members' equity is comprised of Class A and Class B Units. Class A Units shall be voting units with each Class A Unit having one vote per Class A Unit. The Class B Units shall be non-voting Units and the Class B members shall have no voting rights or any rights to manage or control the Company.

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

The sole Class A managing member as of July 31, 2012 is Liquid Trading Int'l LLP ("International"), who contributed $1 for its units and is controlled by entities owned by Brian Ferdinand, Richard Schaeffer and Robert Keller. International is a limited liability partnership formed in England and Wales. The Class B members include individuals and entities that contributed $4,250,000 for Units through an equity raise in September 2011. In addition, the Company incurred aggregate finder's fees of $425,000 in connection with this raise.

(4) Related Party Transactions

International owns all of the Class A Units of LTI, as the managing member. During 2011, International facilitated the payment of expenses related to the operations of LTI and pursuit of the formation of Guernsey for the IPO process. International is a private trading firm which is partially owned by Brian Ferdinand, an individual who is also an owner of LTI. During 2011, International facilitated the payment of expenses related to the potential IPO offering of Guernsey. In anticipation of these expenses LTI advanced funds to International. At December 31, 2011 the Company has a Due from affiliate of $1,146,801, related to these transactions.

Liquid Futures, LLC ("Futures"), is a Delaware limited liability company formed on August 25, 2011 and owned by two individuals: Richard Schaeffer 90% and Brian Ferdinand 10%, (the "Individuals"). Futures was formed to become a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Commission ("CFTC") and was approved as a member of the National Futures Association ("NFA") on March 15, 2012. During 2011, LTI advanced funds to the Individuals for the capital that they initially invested. At December 31, 2011 the Company has a Due from affiliate of $1,350,000, related to these transactions.

Liquid Prime Services, Inc. ("Prime") was formed on May 16, 2003 in the State of New York as a broker-dealer in securities transactions under the Securities Exchange Act of 1934 and is owned by Brian Ferdinand. Prime, formerly known as Taconic Capital Group Inc., changed its name to Liquid Prime Services Inc. on November 17, 2011. Prime is registered with the Securities and Exchange Commission ("SEC") and is member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation ("SIPC"). During 2011, LTI advanced funds to Brian Ferdinand for the capital that he initially invested. At December 31, 2011 the Company has a Due from affiliate $620,000, related to these transactions.

During 2012, the membership interest of International, Futures and Prime were exchanged for membership interests in Liquid Holdings Group, LLC ("LHG"). Upon the membership interest exchanges, LHG assumed all the advances due to LTI.

Centurion Capital Group, LLC ("Centurion"), was formed as a Florida limited liability company on May 11, 2010. The Company advanced funds to Centurion prior to the acquisition of Centurion by a related entity, Guernsey. At December 31, 2011, the Company has a Due from affiliate of $119,100, related to these transactions.

The Company entered into an agreement with an affiliate of Centurion for a finder fee of $425,000 related to a capital raise. During the period ended December 31, 2011, the Company paid $300,000. At December 31, 2011, the Company has a Due to affiliate of $125,000 related to this transaction.

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

(5) Subsequent Events

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through December 10, 2012, the date on which these financial statements were available to be issued.

In January 2012, LTI and International entered in to a Use of Proceeds Agreement which was amended in the same month, which stated that International, the Class A and managing Member of LTI, which is indirectly and jointly controlled by Brian Ferdinand, Richard Schaeffer and Robert Keller agreed to procure the Class B Units in exchange for equal shares in a private entity if the IPO is not consummated as described in the Use of Proceeds Agreement.

On January 10, 2012, pursuant to the Use of Proceeds Agreement, between LTI and International as amended on January 19, 2012, the Class B Members exchanged their Class B Units for shares in Guernsey or another entity to be formed to hold, directly or indirectly, certain rights of International, Green Mountain Analytics, LLC and other entities (Liquid Holdings Group, LLC, "LHG", or the "Holding Company") upon the Holding Company's admission to trading on AIM or any other stock exchange ("Admission").

Were Admission to have taken place at any time on or prior to October 10, 2012, the Class B Members were to have received an aggregate of 3.4% of the issued share capital of the Holding Company, subject to downward adjustment as a result of LTI failing to receive subscriptions in an aggregate amount of $5,000,000 or more.

If Admission takes place after October 10, 2012, the Class B Members will receive an aggregate of 3.51% of the issued share capital in the holding company that owns the Class A membership interests of International and 51% of the membership interests of Green Mountain Analytics, LLC. However, if these interests are held by two separate holding companies, the Class B Members will receive an aggregate of 3.51% of the issued share capital in each such holding company. In either case, the percentage interest to be received by the Class B Members is subject to downward adjustment as a result of LTI failing to receive subscriptions in an aggregate amount of $5,000,000 or more.

LHG, a Delaware limited liability company, was formed on January 17, 2012 and commenced operations on April 24, 2012. LHG is the entity that has been formed with the intention of being the holding company to own the Company and other entities through acquisitions and ultimately pursue an IPO in the US.

On April 24, 2012, the members of Futures and Prime executed agreements with LHG agreeing to contribute their membership interests in the individual entities in exchange for membership interests in LHG.

On September 30, 2012, the Company's members exchanged their membership interests for membership interests in LHG. The exchange was accounted for as a business combination by LHG. The fair value of the units acquired by the Company's members was estimated to be $5.1 million.

Table of Contents

LTI, LLC
(A Development Stage Company)

UNAUDITED CONDENSED STATEMENT OF OPERATIONS FOR THE PERIOD FROM AUGUST 22, 2011 (DATE OF FORMATION) TO SEPTEMBER 30, 2012

	For the nine months ended September 30, 2012	For the period from August 22, 2011 (Date of Formation) to September 30, 2011	For the period from August 22, 2011 (Date of Formation) to September 30, 2012
Revenues	$ —	$ —	$ —
Costs and expenses:			
Professional fees	264,000	—	268,000
General and administrative	50	80	280
Total costs and expenses	264,050	80	268,280
Net loss	$ (264,050)	$ (80)	(268,280)

See accompanying notes to unaudited condensed financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE PERIOD FROM AUGUST 22, 2011 (DATE OF FORMATION) TO SEPTEMBER 30, 2012

	Class A Unit	Class B Units	Accumulated Deficit	Total
Balance – August 22, 2011 (inception)	$ —	$ —	$ —	$ —
Issuance of 1 Class A Unit on September 20, 2011	1	—	—	1
Issuance of 4,250 Class B units on September 20, 2011, net of fees	—	3,825,000	—	3,825,000
Net loss	—	—	(4,230)	(4,230)
Balance – December 31, 2011	$ 1	$3,825,000	$ (4,230)	$3,820,771
Deemed distribution to the member	—	(119,100)	—	(119,100)
Net loss	—	—	(264,050)	(264,050)
MEMBERS' EQUITY – ENDING	$ 1	$3,705,900	$ (268,280)	$3,437,621

See accompanying notes to unaudited condensed financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM AUGUST 22, 2011 (DATE OF FORMATION) TO SEPTEMBER 30, 2012

	For the nine months ended September 30, 2012	For the period from August 22, 2011 (Date of Formation) to September 30, 2011	For the period from August 22, 2011 (Date of Formation) to September 30, 2012
Cash flows from operating activities:			
Net loss	$ (264,050)	$ (80)	$ (268,280)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in assets and liabilities:			
Prepaid expenses	14,000	—	—
Net cash used in operating activities	(250,050)	(80)	(268,280)
Cash flows from financing activities:			
Members' capital contribution	—	4,150,001	4,250,001
Finder's fee on capital raise	—	—	(300,000)
Advances to affiliates	(425,000)	99	(3,660,901)
Net cash (used in) provided by financing activities	(425,000)	4,150,100	289,100
Net (decrease) increase in cash	(675,050)	4,150,020	20,820
Cash – beginning	695,870	—	—
CASH – ENDING	$ 20,820	$ 4,150,020	$ 20,820

See accompanying notes to unaudited condensed financial statements.

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies, Organization and Nature of Operations

LTI, LLC (a development stage company) ("LTI" or the "Company") is a Delaware limited liability company formed on August 22, 2011.

The Company was formed to invest in a future Initial Public Offering ("IPO") which was to be Liquid Trading Holdings Limited ("Guernsey"). Guernsey, a company incorporated under the laws of Guernsey, was formed on October 6, 2011. Guernsey was initially formed to be a holding company that would go public in the United Kingdom and listed on the London Stock Exchange Alternative Investments Market ("AIM"). This plan was abandoned and on January 17, 2012, Liquid Holdings Group, LLC ("LHG"), a Delaware limited liability company, was formed with the intention of being the holding company and would ultimately pursue an IPO in the United States.

On September 30, 2012, the Company's members exchanged their membership interests for membership interests in LHG. The exchange was accounted for as a business combination by LHG. The fair value of the units acquired by the Company's members was estimated to be $5.1 million.

The Company is considered to be a development stage company and as such, the Company's financial statements are presented in accordance with FASB Accounting Standards Codification ("ASC") Topic 915 *Development Stage Entities*. The Company is subject to all of the risks associated with development stage companies.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods ended September 30, 2012 and 2011 are not necessarily indicative of expected future results. An unaudited condensed balance sheet of the Company as of the end of the reporting period has been omitted as the audited consolidated balance sheet as of December 31, 2012 of the acquirer, LHG, is after the consummation date of the Company's acquisition.

Organization of LTI, LLC

LTI, LLC shall continue in existence until dissolved in accordance with provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

(2) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. The Company is however, subject to the New York City Unincorporated Business Tax ("UBT").

As of September 30, 2012, the Company had $731 of deferred tax assets (DTAs) related to net operating losses and start-up costs. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the UBT DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of $731. The change in the valuation allowance is $562.

The significant components of income taxes attributable to continuing operations are a deferred state and local tax benefit of $731 offset by a 100% valuation allowance.

The statutory tax rate, consisting of UBT, is 4%. This rate differs from the effective tax rate of 0.00% due to a full valuation allowance that has been established.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal .	2011
New York State .	2011
New York City .	2011

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the period ended September 30, 2012. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(3) Members' Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of its businesses. Distributions to members are in accordance with each member's pro rata percentage interests.

The Company's members' equity is comprised of Class A and Class B Units. Class A Units shall be voting units with each Class A Unit having one vote per Class A Unit. The Class B Units shall be non-voting Units and the Class B members shall have no voting rights or any rights to manage or control the Company.

The sole Class A managing member as of September 30, 2012 is Liquid Trading Int'l LLP ("International"), who contributed $1 for its units and is controlled by entities owned by Brian Ferdinand, Richard Schaeffer and Robert Keller. International is a limited liability partnership formed in England and Wales. The Class B members include individuals and entities that contributed $4,250,000 for Units through an equity raise in September 2011. In addition, the Company incurred aggregate finder's fees of $425,000 in connection with this raise. On September 30, 2012, The Company's members exchanged their membership interests for membership interests in LHG. The exchange was accounted for as a business combination by LHG. The fair value of the units acquired by the Company's members was estimated to be $5.1 million.

(4) Related Party Transactions

International owns all of the Class A Units of LTI, as the managing member. International is a private trading firm which is partially owned by Brian Ferdinand, an individual who is also an owner of LTI. During 2011, International facilitated the payment of expenses related to the operations of LTI and pursuit of the formation of Guernsey for the IPO process. In anticipation of these expenses LTI advanced funds to International. As of September 30, 2012 of the funds advanced $589,713 is due from Guernsey and $441,087 is due from International.

In October, 2011 the Company advanced $116,000 to Ferdinand Trading, LLC, for various working capital needs. Ferdinand Trading LLC is controlled by Brian Ferdinand. The advance of $116,000 remained due at September 30, 2012

Centurion Capital Group, LLC ("Centurion"), was formed as a Florida limited liability company on May 11, 2010. In 2011 the Company advanced $119,100 to Centurion prior to the acquisition of Centurion by a related entity, Guernsey. During the period ended September 30, 2012 the advance was deemed a distribution to the members of the Company.

Liquid Futures, LLC ("Futures"), is a Delaware limited liability company formed on August 25, 2011 and owned by two individuals: Richard Schaeffer 90% and Brian Ferdinand 10%, (the "Individuals"). Futures was formed to become a non-clearing futures commission merchant registered with the U.S. Commodity Futures Trading Commission ("CFTC") and was approved as a member of the National Futures Association ("NFA") on March 15, 2012. During 2011, LTI advanced funds to the Individuals for the capital that they initially invested. At September 30, 2012 the Company has an advance due

Table of Contents

LTI, LLC
(A Development Stage Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

from these Individuals in the amount of $1,425,000, related to these transactions. The balance is included in "Due from Affiliates" line on the Company's balance sheet.

Liquid Prime Services, Inc. ("Prime") was formed on May 16, 2003 in the State of New York as a broker-dealer in securities transactions under the Securities Exchange Act of 1934 and is owned by Brian Ferdinand. Prime, formerly known as Taconic Capital Group Inc., changed its name to Liquid Prime Services Inc. on November 17, 2011. Prime is registered with the Securities and Exchange Commission ("SEC") and is member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation ("SIPC"). During 2011, LTI advanced funds to Brian Ferdinand for the capital that he initially invested. At September 30, 2012 the Company has an advance due from Brian Ferdinand in the amount of $970,000, related to these transactions. The balance is included in "Due from Affiliates" line on the Company's balance sheet.

During 2012, the membership interest of International, Futures and Prime were exchanged for membership interests in Liquid Holdings Group, LLC ("LHG"). Upon the membership interest exchanges, LHG assumed all the advances due to LTI.

On January 2, 2012, the Company entered into an agreement with Liquid Trading Management LLC ("Management"), an entity controlled by Brian Ferdinand, for consultation services. During the period ended September 30, 2012, the Company paid $250,000 to Management.

In 2011 the Company entered into an agreement with an affiliate of Centurion for a finder fee of $425,000 related to a capital raise. During the period ended December 31, 2011, the Company paid $300,000 and LHG paid the remaining $125,000 on the Company's behalf. The balance due to LHG is $125,000 as of September 30, 2012.

(5) Non-cash Financing Activities

During the period ended December 31, 2011, the Company incurred $425,000 in finders' fees on its capital raise of which $300,000 was paid in cash and LHG paid the remaining $125,000 on the Company's behalf The Company recorded a due LHG for the amount.

During the nine month period ended September 30, 2012 the Company concluded that the $119,000 advanced to an affiliate Centurion during 2011 was deemed distribution during the period ended September 30, 2012.

(6) Subsequent Events

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through April 10, 2013, the date on which these financial statements were available to be issued.

Table of Contents

Independent Auditors' Report

The Members
Centurion Capital Group, LLC:

We have audited the accompanying consolidated balance sheets of Centurion Capital Group, LLC and subsidiary (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in members' equity (deficit), and cash flows for the year ended December 31, 2011 and the period from May 11, 2010 (date of formation) to December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centurion Capital Group, LLC and subsidiary as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the year ended December 31, 2011 and the period from May 11, 2010 (date of formation) to December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
December 10, 2012

Table of Contents

CENTURION CAPITAL GROUP, LLC
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current assets:		
Cash	$ 8,668	$ 8,765
Receivables from brokers, dealers, others	—	7,238,659
Due from related party	300,000	—
TOTAL ASSETS	$308,668	$7,247,424
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities:		
Accrued expenses	$ 12,370	$ —
Due to member	300,000	7,028,000
Notes payable	81,700	81,700
Total current liabilities	394,070	7,109,700
Commitments and contingencies (Notes 4)		
Members' equity (deficit)	(85,402)	137,724
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$308,668	$7,247,424

See accompanying notes to consolidated financial statements.

Table of Contents

CENTURION CAPITAL GROUP, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD
FROM MAY 11, 2010 (DATE OF FORMATION) TO DECEMBER 31, 2010

	2011	2010
Revenue:		
Interest	$ 60,000	$ —
Trading gains	—	238,659
Total revenue	60,000	238,659
Operating expenses:		
General and administrative	$ 336,056	$ 31,471
Salaries and wages	483,551	—
Professional fees	144,076	33,564
Trading losses	3,061,799	—
Rent	585,749	80,039
Total operating expenses	4,611,231	145,074
Net (loss) income	(4,551,231)	93,585
Members' equity - beginning of year	137,724	—
Members' capital contribution	2,256,409	52,000
Conversion of debt to equity	4,224,362	—
Members' capital distribution	(2,152,666)	(7,861)
MEMBERS' (DEFICIT) EQUITY - END OF YEAR	$ (85,402)	$137,724

See accompanying notes to consolidated financial statements.

Table of Contents

CENTURION CAPITAL GROUP, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD
FROM MAY 11, 2010 (DATE OF FORMATION) TO DECEMBER 31, 2010

	2011	2010
Cash flows from operating activities:		
Net (loss) income	$(4,551,231)	$ 93,585
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Trading income gain(loss)	3,061,799	(238,659)
Changes in assets and liabilities:		
Receivables from brokers and dealers	4,176,860	(7,000,000)
Accrued expenses	12,370	—
Net cash used in operating activities	2,699,798	(7,145,074)
Cash flows from financing activities:		
(Repayment to) proceeds from member	(2,503,638)	7,028,000
(Repayment to) proceeds from related party	—	81,700
Loan to affiliate	(300,000)	—
Members' capital contributions	2,256,409	52,000
Members' capital distributions	(2,152,666)	(7,861)
Net cash (used in) provided by financing activities	(2,699,895)	7,153,839
Net (decrease) increase in cash	(97)	8,765
Cash - beginning	8,765	—
CASH - ENDING	$ 8,668	$ 8,765
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of promissory note to 37.5% equity	$ 4,224,362	$ —

See accompanying notes to consolidated financial statements.

Table of Contents

CENTURION CAPITAL GROUP, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

The accompanying consolidated financial statements of Centurion Capital Group, LLC ("Centurion" or the "Company") include: Centurion Capital Group LLC, formerly known as Centurion South LLC ("South") and its subsidiary, Centurion Trading Partners, LLC ("Trading"). The Company provides proprietary trading services to customers who contribute capital to be traded by Centurion traders across a mix of strategies.

South was originally formed as a Florida limited liability company on May 11, 2010 under the name of Centurion South LLC to provide proprietary trading services. On July 26, 2011 Centurion South LLC changed its name to Centurion Capital Group, LLC.

Trading was formed as a Delaware limited liability company on April 8, 2010 with the intention for the entity to become a registered broker-dealer. This plan was subsequently abandoned. On May 11, 2010 the sole member of Trading, John Allen, transferred his membership interest to South.

On December 30, 2011, Liquid Trading Holdings Limited ("Guernsey") pursuant to a Membership Interest Purchase Agreement purchased all of the issued and outstanding membership interest in Centurion.

Guernsey, a company incorporated under the laws of Guernsey, was formed on October 6, 2011 and it was wholly owned by Liquid Trading International Holdings, LLP, which is owned by Brian Ferdinand. Guernsey was initially formed to be a holding company that would go public in the United Kingdom and listed on the London Stock Exchange Alternative Investments Market ("AIM").

Principles of consolidation

The consolidated financial statements represent the consolidation of the accounts of South and Trading in conformity with U.S. generally accepted accounting principles ("GAAP"). All intercompany accounts and transactions have been eliminated in consolidation. Under certain criteria indicated in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 – Consolidation, a partially-owned affiliate would be consolidated when it has less than a 50% ownership if the Company was the primary beneficiary of that entity. At the present time, there are no interests in variable interest entities.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, at December 31, 2011, the Company had negative membership interests of $85,402 and a net loss of $4,551,231.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities should the Company be unable to continue as a going concern.

The Company has principally financed its operations for the last two years through related party transactions. Management believes the Company's ability to continue its operations is dependent upon the ability to raise capital through an acquisition.

Management agreed to sell all of the issued and outstanding membership interest in Centurion to Guernsey on December 30, 2011 in anticipation of

Table of Contents

being consolidated with a group of companies associated with Guernsey, which would pursue an IPO. The ability of the Company to continue as a going concern is dependent on the success of this IPO. The consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Organization of Limited Liability Companies

The limited liabilities companies (the LLCs) included within the consolidated statements shall continue in existence until dissolved in accordance with provisions of their operating agreements and are funded through the equity contributions of their owners. As LLCs, except as many otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits. Pursuant to the terms of each LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes from May 11, 2010 through May 31, 2010; a single-member limited liability company ("SMLLC") owned by an individual, Joseph Gamberele from June 1, 2010 through September 14, 2011; a partnership from September 15, 2011 through December 30, 2011; and a SMLLC owned by Guernsey, on December 31, 2011. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Securities Transactions

Receivables from brokers include amounts receivable for fails to deliver, cash deposits for securities borrowed, amounts receivable on open transactions from clearing organizations and non U.S. broker-dealers.

Table of Contents

CENTURION CAPITAL GROUP, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Receivables from Brokers, Dealers, Others

At December 31, 2010, the Company has $7,238,659 in receivables from two entities, representing cash balances on deposit in trading accounts. This receivable balance consisted of $5,130,331 in receivables from ECHOtrade, LLC (“ECHOtrade”), a broker-dealer, and $2,108,328 in receivables from Liquid Trading Int’l LLP (“International”).

Both ECHOtrade and International are entities partially owned by Brian Ferdinand and Robert Keller. Brian Ferdinand owns and controls Guernsey, the entity which acquired Centurion on December 30, 2011.

In May 2010, Douglas Von Allmen created South as a vehicle to provide capital to proprietary traders of ECHOtrade and International and to share in the revenue generated from their trading activities. Centurion deposited funds with ECHOtrade and International as “at-risk” capital to be allocated among these proprietary traders.

During 2011, Centurion’s trading activity with ECHOtrade and International was wound down and the receivable balances were paid off net of any trading gains or losses.

The following is summary of the Company’s receivables:

	2011	2010
ECHOtrade, LLC	$ —	$ 5,130,331
Liquid International, LLP	—	2,108,328
Total	$	$ 7,238,659

(3) Members’ Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of the business.

On May 11, 2010, John Allen as sole member of Trading transferred his membership interest to Centurion South, LLC. Pursuant to the Assignment of Interest Agreement between John Allen and Centurion Capital Group, LLC, John Allen contributed his 100% membership interest to Centurion South, LLC for $10 in consideration.

On May 27, 2010, Douglas Von Allmen and Joseph Gamberele each contributed $1,000 to establish their membership interest in the Company. On June 10, 2010, Douglas Von Allmen sold 100% of his membership interest to Joseph Gamberele in a private transaction outside of the Company.

Joseph Gamberele executed two private transactions of his membership interest during 2011. On September 15, 2011 Joseph Gamberele sold 15% of his interest to Edward Feigeles and 10% of his interest to John Allen. Both transactions were private transactions that took place outside of the Company. In addition, on December 13, 2011, Douglas Von Allmen converted an outstanding promissory note into capital as discussed further in Note 5.

On December 30, 2011, Guernsey became the sole member of the Company.

(4) Commitments

During January 2011, the Company began subleasing office space in New York, on a month-to-month basis for $52,000 per month with a company affiliated by common ownership. The Company made the last payment in January 2012.

Table of Contents

CENTURION CAPITAL GROUP, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During April 2011, The Company informally entered into a sublease for office space in Boca Raton, FL., on a month-to-month basis for approximately $5,800 per month. The sublease expired in October 2011.

Rent expense incurred under these operating leases for the years ended December 31, 2011 and 2010 and for the period from May 10, 2010 (inception) through December 31, 2010, amounted to $585,749 and $80,039, respectively.

(5) Related Party Transactions

The Company trades through an account at ECHOtrade (an entity which is partially owned by Brian Ferdinand). During 2011, this account was closed. The balances in this account at December 31, 2011 and December 31, 2010 were $0 and $5,130,331, respectively.

The Company trades through an account at Liquid International, LLP an entity in which Brian Ferdinand and Robert Keller are partners. During 2011, this account was closed. The balances in this account at December 31, 2011 and December 31, 2010 were $0 and $2,108,328, respectively.

During 2010, the Company received $7,028,000 for an unsecured non-interest-bearing promissory note from an entity in which one of the members of the Company was the general partner. On June 6, 2011 this loan was converted into an unsecured non-interest bearing promissory note. On December 13, 2011, the remaining balance of this note was converted into capital as a capital contribution in the amount of $4,224,362.

On December 30, 2011, pursuant to a Membership Interest Purchase Agreement (the "Agreement"), Guernsey (an entity controlled by Brian Ferdinand) purchased all of the issued and outstanding membership interests in Centurion for a maximum purchase price of $13,600,000. The Members of Company received $1,000 in cash and were to be paid the remainder of the purchase price in shares of Guernsey or another holding company to be formed upon the earlier to occur of (i) the initial public offering of such a holding company and (ii) January 1, 2014. The Members of the Company will receive the purchase price in shares equal to $8,331,096, with the remainder of $5,268,904 contingent upon certain EBITDA thresholds as defined in the Agreement.

At December 31, 2011, the Company was owed $300,000 from companies related through common ownership to one of the prior original members of the Company. This advance is due on demand. Also at December 31, 2011, the Company owed $81,700 to Ferdinand Capital (an entity owned by Brian Ferdinand).

During January 2011, the Company began subleasing office space from a company related through common ownership, see Note 4.

(6) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes from May 11, 2010 through May 31, 2010; a SMLLC owned by an individual from June 1, 2010 through September 14, 2011; a partnership from September 15, 2011 through December 30, 2011; and a SMLLC owned by a Guernsey company on December 31, 2011. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

Table of Contents

CENTURION CAPITAL GROUP, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2011, the Company had no deferred tax assets or (liabilities) and no valuation allowance.

The statutory tax rate is 0%. This rate is the same as the effective tax rate of 0.00%. There are no reconciling items.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

As of December 31, 2010 and 2011, the Company has no net operating losses that can be carried back.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2010
Florida	2010
Guernsey	2011

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the year ended December 31, 2010 and 2011. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(7) Subsequent Events

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through December 10, 2012, the date on which these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

On March 1, 2012, Centurion changed its name to Liquid Partners, LLC.

The Agreement was amended on July 21, 2012 to reflect that: (a) Guernsey's rights and obligations had been assigned to Liquid Holdings Group, LLC ("LHG") on May 11, 2012, (b) the holding company shares to be issued thereunder shall be Class A Common Units of LHG, (c) the aggregate number of Class A Common Units to be issued thereunder shall be increased to 7.60% of the issued and outstanding equity securities of LHG as of the date of issuance and (d) such Class A Common Units shall be issued upon the date of signing of such amendment to the Agreement.

On May 11, 2012, Guernsey assigned and transferred the interest and all of its rights and obligations under the membership purchase agreement of Centurion to LHG.

On July 21, 2012, the Agreement was amended to accelerate the share issuance contemplated in the original agreement and called for LHG to issue an aggregate number of Class A Common Units equal to 7.60% of the aggregate issued and outstanding equity securities (totaling 90 Class A Common Units) of LHG at such date to the selling members of Centurion for the purchase price and eliminated all prior purchase price measurements and the contingent consideration. The fair value of the 90 Class A Common Units was estimated to be $8,755,000.

Table of Contents

Independent Auditors' Report

The Members
Green Mountain Analytics, LLC:

We have audited the accompanying balance sheets of Green Mountain Analytics, LLC (the "Company") as of December 31, 2011 and 2010, and the related statements of operations, statements of changes in members' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Mountain Analytics, LLC as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
December 10, 2012

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,431	$ 17,478
Accounts receivables, net	—	750
Total current assets	4,431	18,228
Property and equipment, net	813	1,036
Capitalized software costs, net	7,339	29,356
TOTAL ASSETS	$ 12,583	$ 48,620
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities:		
Accrued expenses and other liabilities	$ 51,791	$ 96,384
Class B incentive payable	222,552	—
Due to members	—	241,300
Due to related parties	—	20,866
Total current liabilities	274,343	358,550
Members' equity (deficit)	(261,760)	(309,930)
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	$ 12,583	$ 48,620

See accompanying notes to financial statements.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues from related parties:		
Consulting revenue	$ 170,000	$ 30,038
Service revenue	308,167	110,157
Total revenues	478,167	140,195
Operating expenses:		
Consulting fees, including $96,693 and $21,134, respectively, to related parties	172,573	21,134
Software development expenses, including $250,445 and $172,166, respectively, to related parties	325,575	417,506
Incentive awards	222,552	—
Depreciation and amortization	22,240	22,095
Commission expense	26,400	59,400
General and administrative	30,209	39,085
Professional fees	5,510	6,404
Total operating expenses	805,059	565,624
Loss from operations	(326,892)	(425,429)
Other non-operating income (expense):		
Interest expense	(15,900)	(18,053)
Total non-operating expenses	(15,900)	(18,053)
Net loss	$(342,792)	$(443,482)

See accompanying notes to financial statements.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Members' Equity	Accumulated Deficit	Total
Members' equity - January 1, 2010	$2,702,481	$(2,825,329)	$(122,848)
Issuance of Class A units	197,000	—	197,000
Issuance of Class B units	59,400	—	59,400
Net loss	—	(443,482)	(443,482)
Members' (deficit), December 31, 2010	2,958,881	(3,268,811)	(309,930)
Issuance of Class A units	292,000	—	292,000
Issuance of Class A units for commission fees	26,400	—	26,400
Forgiveness of debt by members	72,562	—	72,562
Net loss	—	(342,792)	(342,792)
MEMBERS' (DEFICIT), DECEMBER 31, 2011	$3,349,843	$(3,611,603)	$(261,760)

See accompanying notes to financial statements.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Net loss	$(342,792)	$(443,482)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	223	78
Amortization expense	22,017	22,017
Compensation expense — Class B incentive	222,552	—
Bad debt expense	750	—
Commission fee	26,400	79,200
Changes in assets and liabilities:		
Accounts receivable	—	40,300
Accrued expenses and other liabilities	(7,028)	11,619
Net cash used in operating activities	(77,878)	(290,268)
Cash used in investing activities:		
Property and equipment acquisitions	—	(1,114)
Cash flows from financing activities:		
Repayment of due to members	(208,216)	—
Loans received from members	—	110,300
Repayment of due to related parties	(18,953)	—
Loans received from related parties	—	20,500
Members' capital contribution	292,000	177,200
Net cash provided by financing activities	64,831	308,000
Net (decrease) increase in cash and cash equivalents	(13,047)	16,618
Cash and cash equivalents- beginning	17,478	860
CASH AND CASH EQUIVALENTS — ENDING	$ 4,431	$ 17,478
NON-CASH FINANCING ACTIVITIES:		
Forgiveness of debt by members	$ 72,562	$ —
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid by cash	—	—

See accompanying notes to financial statements.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

Green Mountain Analytics, LLC was incorporated on April 29, 2002 in the state of Vermont.

The Company is a software development company that provides a trading platform servicing the securities trading industry, using its own proprietary software. In addition the Company, provides software development on a consulting basis.

Organization of Limited Liability Company

A limited liability company ("LLC") shall continue in existence until dissolved in accordance with the provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

Going Concern

The Company incurred a net loss $342,792 and $443,482 for the years ended December 31, 2011 and 2010, respectively. At December 31, 2011, the Company had cash of $4,431 and accumulated deficit of $3,611,603.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities should the Company be unable to continue as a going concern.

The Company has principally financed its operations for the last two years through related party transactions. Management believes the Company's ability to continue its operations is dependent upon the ability to raise capital through an acquisition. The Company was acquired on August 27, 2012 (see Note 8).

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These significant estimates and assumptions include estimating the useful life of capitalized software.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Revenue Recognition

Consulting

The Company derives revenue from providing software development to related parties on a consulting basis. Revenues for consulting services are generally recognized as the services are performed.

Software as a Service

The Company also derives revenue from providing software licenses for an online trading platform. There is no downloadable software, distribution or technology delivered to consumers. Software is provided under a hosting arrangement, revenue is accounted for as software as a service arrangement since the customer does not have the contractual right to take possession of the software at any time during the hosting period. The Company recognizes revenue for these software licenses when the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery of the product has occurred; (3) the fee is fixed or determinable; and (4) collection is probable.

Software Development Costs

The Company accounts for the costs to develop software that it plans to market externally in accordance with FASB ASC 985-20, *Software - Costs of Software to be Sold, Leased, or Marketed*, whereby costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. Technological feasibility is established upon completion of a working model. The Company amortizes the costs of software obtained or developed to be sold, leased or marketed over three years.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

Equipment	3 years
Computers	5 years
Furniture and fixtures	5 years
Capitalized software costs	3 years

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740 Income Taxes (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Fair Value Measurements

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This update amends FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, to require new disclosures for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010. The Company adopted certain of the relevant disclosure provisions of ASU 2010-06 on January 1, 2010 and other provisions on January 1, 2011.

FASB ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the new standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

(2) Concentration of Credit Risk

The Company has generated all of its revenues for the years ended December 31, 2011 and 2010 from ECHOtrade, LLC ("ECHOtrade"), Tower Research LLC and Liquid Trading Int'l, which are related parties. These entities are owned by members of the Company.

During 2010, one vendor comprises approximately 50% of the total paid for consulting and services fees.

(3) Property and Equipment

Property and equipment consisted of the following at December 31, 2011 and 2010:

	2011	2010
Computer equipment	$1,114	$1,114
Less: accumulated depreciation	301	78
Property and equipment, net	$ 813	$1,036

Depreciation expense for the years ended December 31, 2011 and 2010 totaled $223 and $78, respectively.

(4) Capitalized Software Costs

Capitalized software costs consisted of the following at December 31, 2011 and 2010:

	2011	2010
Website and internally developed software costs	$66,051	$66,051
Less: accumulated amortization	58,712	36,695
Capitalized software costs, net	$ 7,339	$29,356

Amortization expense for the years ended December 31, 2011 and 2010 totaled $22,017 and $22,017, respectively.

(5) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. The Company files income tax returns in the U.S. federal jurisdiction and in Vermont. Accordingly, no income tax provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

As of December 31, 2010 and 2011, the Company did not have any deferred tax assets and liabilities or valuation allowance.

For tax years 2010 and 2011, the statutory tax rate is 0%. This rate is the same as the effective tax rate of 0.00%. There are no reconciling items.

The Company does not have any current incomes payable or receivable and there have been no cash payments for income taxes.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

As of December 31, 2010 and 2011, the Company has no net operating losses that can be carried back.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes* effective January 1, 2008. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S. Federal	2008
Vermont	2008

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the years ended December 31, 2011 and 2010, respectively. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(6) Incentive Awards

On October 5, 2011, the Company's members with a super majority approved various Incentive Award Agreements. At that time, the Company granted fully vested Class B Membership to nine individuals valued at $222,552 in the aggregate. During 2011, the Company recognized incentive expense in the Statement of Operations for the year ended December 31, 2011 of $222,552.

(7) Related Party Transactions

Due to shareholder

In 2010, the Company had outstanding loans due to members in the amount of $262,346 in principal and accrued interest which is included in the caption of Due to members and accrued expenses and other liabilities on the balance sheets. These loans were used to pay operating expenses. During 2011, the Company repaid $208,216 of the loans through the indirect capital contribution from two members which are entities owned by Brian Ferdinand and Robert Keller, which resulted in the Company recording $72,562 as capital contribution due to forgiveness of debt.

Service arrangement

On April 1, 2009 the Company entered into service arrangements with ECHOtrade and on August 1, 2008 with Liquid Trading Int'l LLP. These entities are related through common ownership with two of the members of the Company; Brian Ferdinand and Robert Keller. The Company provides services for software development to the related entities. The Company recorded revenues for these services which are included in the Statement of Operations totaling $444,067 and $102,995 for the years ended December 31, 2011 and 2010, respectively.

During 2010 and 2011, the Company entered into an arrangement with one of the members of the Company, Tower Research, LLC, to provide both consulting and software as a service. The Company recorded revenues for these services which are included in the Statement of Operations totaling $34,100 and $37,200 for the years ended December 31, 2011 and 2010, respectively.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

During 2010 and 2011, the Company paid fees for both consulting and software development. The individuals who provided these services were Class A and Class B members of the Company. The Company recorded expenses for these services which are included in the Statement of Operations totaling $347,138 and $193,300 for the years ended December 31, 2011 and 2010, respectively

(8) Members' Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of the business.

The Company's members' equity is comprised of Class A and Class B membership interests. Class A members have voting rights; the Class B members have no voting rights and do not participate in distributions from capital transactions, as defined in the operating agreement.

There are provisions in the operating agreement requiring that a super majority of the members is required for certain decisions regarding the Company. A super majority is deemed to be more than 80% of the voting membership interests.

On September 1, 2010, the Company and each of the existing Class A Members entered into a letter agreement ("Letter Agreement"), pursuant to which Ferdinand Trading II LLC (controlled by Brian Ferdinand) ("FT"), Ferris Ventures, LLC (controlled by Robert Keller) ("FV") and Bruce Cooper would be able to acquire up to 55% of the Class A membership interest of the Company over an eleven month period. This letter contemplated FT and FV receiving the additional Class A membership interests in consideration for cash infusions, revenue derived from contracts originated by FT and FV and the repayment of member loans. In addition, this Letter Agreement included a provision that required a revision to the definition of super majority to mean the consent of at least 80 percent of the Board of Managers.

Pursuant to an Agreement dated September 10, 2011, FT and FV acquired the remaining Class A membership interests on such date to bring their aggregate total interest in the Company to 55% of the Class A membership interests. The agreement stated that FT and FV had satisfied most of the conditions set forth in the Letter Agreement, but had not repaid the member loans. As a result, FT and FV were required to make an additional $250,000 contribution to repay the member loans.

Pursuant to a Amended and Restated Agreement, dated January 9, 2012, the Class A Members agreed to exchange their membership interests in the Company for shares in Liquid Trading Holdings Limited (or another holding company which became Liquid Holdings Group, LLC ("LHG"), (see note 5) upon the admission of such entity to trading on the AIM or any other stock exchange. The shares to be issued to the Members will have a fair market aggregate value of at least $10,000,000 and constitute a minimum of 10% of the equity interests in the public company following its admission.

On October 5, 2011, the Company agreed to grant Management Incentive Awards ("Incentives") to consultants. The Incentives granted were Class B membership interests (see Note 5).

(9) Subsequent Events

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through December 10, 2012, the date on which these financial statements were available to be issued.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

On February 23, 2012, the Company entered into a system integration agreement, ("Integration Agreement") with Fundsolve Limited, ("Fundsolve"). The purpose of this Integration Agreement was to merge the technologies of the Company and Fundsolve in anticipation of both companies being acquired by LHG. The integration was completed on July 31, 2012.

The Company was acquired by LHG on August 27, 2012 pursuant to a Contribution and Exchange Agreement entered into with the members of the Company (including entities controlled by Brian Ferdinand and Robert Keller) by which the members of the Company contributed all of their outstanding equity interests for an 11.75% interest in LHG with an estimated fair value of $19,973,000.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	For six months ended June 30, 2012	For six months ended June 30, 2011
Revenues from related parties:		
Consulting revenue	$ 307,100	$ 90,000
Service revenue	235,000	134,669
Total revenues	542,100	224,669
Operating expenses:		
Consulting fees, including $111,696 and $46,266, respectively, to related parties	231,174	110,112
Software development expenses, including $51,652 and $121,850, respectively, to related parties	214,424	121,850
Depreciation and amortization	7,517	11,120
Commission expense	—	26,400
Professional fees	25,258	2,400
General, administrative and other	17,185	3,354
Total operating expenses	495,558	275,236
Loss from operations	46,542	(50,567)
Other non-operating income (expense):		
Interest expense	—	(10,320)
Total non-operating expenses	—	(10,320)
Net income (loss)	$ 46,542	$ (60,887)

See accompanying notes to unaudited condensed financial statements

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
UNAUDITED CONDENSED STATEMENT OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
FOR THE PERIOD ENDED JUNE 30, 2012

	Members' Equity	Accumulated Deficit	Total
Balance - January 1, 2011	$2,958,881	$(3,268,811)	$(309,930)
Issuance of Class A units for commission fees	26,400		26,400
Net income (loss)		(60,887)	(60,887)
Balance - June 30, 2011 (unaudited)	2,985,281	(3,329,698)	(344,417)
Issuance of Class A units	292,000	—	292,000
Forgiveness of debt	72,562	—	72,562
Net income (loss)	—	(281,905)	(281,905)
Balance - December 31, 2011	3,349,843	(3,611,603)	(261,760)
Net income (loss)	—	46,542	46,542
Balance - June 30 2012 (unaudited)	$3,349,843	$(3,565,061)	$(215,218)

See accompanying notes to unaudited condensed financial statements

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	For six months ended June 30, 2012	For six months ended June 30, 2011
Cash flows from operating activities:		
Net income (loss)	$ 46,542	$ (60,887)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	7,517	11,120
Commission fee		26,400
Changes in assets and liabilities:		
Accounts receivable	—	(28,000)
Deposits and other assets	(77,000)	
Accrued expenses and other liabilities	53,879	(4,012)
Net cash used in operating activities	30,938	(55,379)
Cash used in investing activities:		
Property and equipment acquisitions	(645)	—
Cash flows from financing activities:		
Repayment of loans received to affiliates	—	(2,050)
Members' capital contribution	—	50,000
Net cash provided by financing activities	—	47,950
Net (decrease) increase in cash and cash equivalents	30,293	(7,429)
Cash and cash equivalents - beginning	4,431	17,478
CASH AND CASH EQUIVALENTS — ENDING	$ 34,724	$ 10,049
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid by cash	—	—

See accompanying notes to unaudited condensed financial statements

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies Organization and Nature of Operations

Green Mountain Analytics, LLC was incorporated on April 29, 2002 in the state of Vermont.

The Company is a software development company that provides a trading platform servicing the securities trading industry, using its own proprietary software. In addition the Company, provides software development on a consulting basis.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods ended June 30, 2012 and 2011 are not necessarily indicative of expected future results. An unaudited condensed balance sheet of the Company as of the end of the reporting periods has been omitted as the audited consolidated balance sheet as of December 31, 2012 of the acquirer, Liquid Holdings Group, LLC, is after the consummation date of the Company's acquisition.

Organization of Limited Liability Company

A limited liability company ("LLC") shall continue in existence until dissolved in accordance with the provisions of its operating agreement and is funded through the equity contributions of its owners. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the Company. The members are not obligated to restore capital deficits. Pursuant to the terms of the LLC agreement, profits, losses, and distributions are generally allocated to the members in accordance with their ownership percentages.

Going Concern

The Company had net income of $46,542 and incurred a net loss of $60,887 respectively for the six month periods ended June 30, 2012 and 2011, respectively. At June 30, 2012, the Company had cash of $34,724 and accumulated deficit of $3,565,061.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities should the Company be unable to continue as a going concern.

The Company has principally financed its operations for the last two years through related party transactions. Management believes the Company's ability to continue its operations is dependent upon the ability to raise capital through an acquisition. The Company was acquired on August 27, 2012 (see Note 8).

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These significant estimates and assumptions include estimating the useful life of capitalized software.

Revenue Recognition

Consulting

The Company derives revenue from providing software development to outside parties on a consulting basis. Revenues for consulting services are generally recognized as the services are performed.

Software as a Service

The Company also derives revenue from providing software licenses for an online trading platform. There is no downloadable software, distribution or technology delivered to consumers. Software is provided under a hosting arrangement, revenue is accounted for as software as a service arrangement since the customer does not have the contractual right to take possession of the software at any time during the hosting period. The Company recognizes revenue for these software licenses when the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery of the product has occurred; (3) the fee is fixed or determinable; and (4) collection is probable.

Software Development Costs

The Company accounts for the costs to develop software that it plans to market externally in accordance with FASB ASC 985-20, *Software—Costs of Software to be Sold, Leased, or Marketed*, whereby costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. Technological feasibility is established upon completion of a working model. The Company amortizes the costs of software obtained or developed to be sold, leased or marketed over three years.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

Equipment	3 years
Computers	5 years
Furniture and fixtures	5 years
Capitalized software costs	3 years

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Income Taxes

The Company is a limited liability company treated as a partnership for tax purposes. The Company accounts for income taxes under ASC Topic 740 Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

(2) Concentration of Credit Risk

The Company has generated all of its revenues for the years ended December 31, 2011 and 2010 from ECHOtrade, LLC ("ECHOtrade"), Tower Research LLC and Liquid Trading Int'l, which are related parties. These entities are owned by members of the Company.

During six months period ended June 30, 2012 and 2011 four vendors accounted for 82% and 72% of the total operating expenses.

(3) Property and Equipment

Property and equipment consisted of the following at June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
Computer equipment	$1,114	$ 1,114
Furniture and fixtures	645	—
Less: accumulated depreciation	479	301
Property and equipment, net	$1,280	$ 813

Depreciation expense for the six month periods ended June 30, 2012 and 2011 totaled $178 and $111, respectively.

(4) Capitalized Software Costs

Capitalized software costs consisted of the following at June 30, 2012 and December 31, 2011:

	2011	December 31, 2011
Website and internally developed software costs	$66,051	$ 66,051
Less: accumulated amortization	66,051	58,712
Capitalized software costs, net	$ —	$ 7,339

Amortization expense for the six month periods ended June 30, 2012 and 2011 totaled $7,339 and $11,009, respectively.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(5) Income Taxes

As a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. The Company files income tax returns in the U.S. federal jurisdiction and in Vermont. Accordingly, no income tax provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

As of December 31, 2011, the Company did not have any deferred tax assets and liabilities or valuation allowance.

For tax year 2011, the statutory tax rate is 0%. This rate is the same as the effective tax rate of 0.00%. There are no reconciling items.

As of December 31, 2011 Company did not have any current incomes payable or receivable and there have been no cash payments for income taxes.

As of December 31, 2011, the Company had no net operating losses that could be carried back.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes* effective January 1, 2008. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

U.S Federal	2008
Vermont	2008

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the years ended December 31, 2011 and 2010, respectively. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

(6) Incentive Awards

On October 5, 2011, the Company's members with a super majority approved various Incentive Award Agreements. At that time, the Company granted fully vested Class B Membership to nine individuals valued at $222,552 in the aggregate. The awards are reflected in current liabilities on the Company's balance sheet.

(7) Related Party Transactions

Due to shareholder

In 2010, the Company had outstanding loans due to members in the amount of $262,346 in principal and accrued interest which is included in the caption of Due to members and accrued expenses and other liabilities on the balance sheets. These loans were used to pay operating expenses. During 2011, the Company repaid $208,216 of the loans through the indirect capital contribution from two members which are entities owned by Brian Ferdinand and Robert Keller, which resulted in the Company recording $72,562 as capital contribution due to forgiveness of debt.

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Service arrangement

On April 1, 2009 the Company entered into service arrangements with ECHOtrade and on August 1, 2008 with QuantX. These entities are related through common ownership with two of the members of the Company; Brian Ferdinand and Robert Keller. The Company provides services for software development to the related entities. The Company recorded revenues for these services which are included in the Statement of Operations totaling $542,100 and $206,069 for the six months periods ended June 30, 2012 and 2011, respectively.

During 2011, the Company entered into an arrangement with one of the members of the Company, Tower Research, LLC, to provide both consulting and software as a service. The Company recorded revenues for these services which are included in the Statement of Operations totaling $18,600 for the six month period ended June 30, 2011. Revenues from agreement with Tower Research LCC were zero in the six month period ended June 30, 2012.

During 2010 and 2011, the Company paid fees for both consulting and software development. The individuals who provided these services were Class A and Class B members of the Company. The Company recorded expenses for these services which are included in the Statement of Operations totaling $163,348 and $168,116 for the six month periods ended June 30, 2012 and 2011, respectively.

(8) Members' Equity

The Company presently does not pay cash distributions on membership interests as its policy is to retain earnings to finance the operations and expansion of the business.

The Company's members' equity is comprised of Class A and Class B membership interests. Class A members have voting rights; the Class B members have no voting rights and do not participate in distributions from capital transactions, as defined in the operating agreement.

There are provisions in the operating agreement requiring that a super majority of the members is required for certain decisions regarding the Company. A super majority is deemed to be more than 80% of the voting membership interests.

On September 1, 2010, the Company and each of the existing Class A Members entered into a letter agreement ("Letter Agreement"), pursuant to which Ferdinand Trading II LLC (controlled by Brian Ferdinand) ("FT"), Ferris Ventures, LLC (controlled by Robert Keller) ("FV") and Bruce Cooper would be able to acquire up to 55% of the Class A membership interest of the Company over an eleven month period. This letter contemplated FT and FV receiving the additional Class A membership interests in consideration for cash infusions, revenue derived from contracts originated by FT and FV and the repayment of member loans. In addition, this Letter Agreement included a provision that required a revision to the definition of super majority to mean the consent of at least 80 percent of the Board of Managers.

Pursuant to an Agreement dated September 10, 2011, FT and FV acquired the remaining Class A membership interests on such date to bring their aggregate total interest in the Company to 55% of the Class A membership interests. The agreement stated that FT and FV had satisfied most of the conditions set forth in the Letter Agreement, but had not repaid the member loans. As a result, FT and FV were required to make an additional $250,000 contribution to repay the member loans.

Pursuant to an Amended and Restated Agreement, dated January 9, 2012, the Class A Members agreed to exchange their membership interests in the Company for shares in Liquid Trading Holdings Limited (or another holding company which became Liquid Holdings Group, LLC ("LHG"), (see note 5) upon the admission of such

Table of Contents

GREEN MOUNTAIN ANALYTICS, LLC
(A Limited Liability Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

entity to trading on the AIM or any other stock exchange. The shares to be issued to the Members will have a fair market aggregate value of at least $10,000,000 and constitute a minimum of 10% of the equity interests in the public company following its admission.

On October 5, 2011, the Company agreed to grant Management Incentive Awards ("Incentives") to consultants. The Incentives granted were Class B membership interests (see Note 6).

(9) Subsequent Events

In accordance with FASB ASC Topic 855, the Company has evaluated subsequent events through April 10, 2013, the date on which these financial statements were available to be issued.

On February 23, 2012, the Company entered into a system integration agreement, ("Integration Agreement") with Fundsolve Limited, ("Fundsolve"). The purpose of this Integration Agreement was to merge the technologies of the Company and Fundsolve in anticipation of both companies being acquired by LHG. The integration was completed on July 31, 2012.

The Company was acquired by LHG on August 27, 2012 pursuant to a Contribution and Exchange Agreement entered into with the members of the Company (including entities controlled by Brian Ferdinand and Robert Keller) by which the members of the Company contributed all of their outstanding equity interests for an 11.75% interest in LHG with an estimated fair value of $19,973,000.

Table of Contents

Independent Auditors' Report

The Board of Directors
Fundsolve Limited:

We have audited the accompanying balance sheets of Fundsolve Limited (the "Company") as of March 31, 2012 and 2011, and the related statements of operations and changes in shareholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundsolve Limited as of March 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
December 10, 2012

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
BALANCE SHEETS
MARCH 31, 2012 AND 2011

	2012	2011
ASSETS		
Current assets:		
Cash	£ 1,368	£12,698
Prepaid expenses and other assets	10,486	7,381
Total current assets	11,854	20,079
Furniture and computer equipment, net	6,604	7,167
TOTAL ASSETS	£18,458	£27,246
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accrued expenses	£17,954	£19,511
Other liabilities	2,661	5,967
Total current liabilities	20,615	25,478
Shareholders' equity (deficit):		
Capital stock (100 ordinary shares, issued and outstanding, par £1)	100	100
Accumulated equity (deficit)	(2,257)	1,668
Total shareholders' equity (deficit)	(2,157)	1,768
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	£18,458	£27,246

See accompanying notes to financial statements.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
STATEMENTS OF OPERATIONS AND CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
Revenues	£ 60,359	£ 64,623
Cost of sales	10,484	10,865
Gross margin	49,875	53,758
Expenses		
Office salaries	7,072	5,715
Accounting fees	3,270	3,775
Computer-related expenses	2,204	2,394
Utilities	2,126	2,140
Depreciation and amortization	2,490	4,364
Other	1,396	1,627
Total expenses	18,558	20,015
Income before income taxes	31,317	33,743
Income tax expense	(6,242)	(7,081)
Net income	£ 25,075	£ 26,662
Shareholders' equity - beginning of year	1,768	6
Capital contributed	—	100
Shareholders' capital distribution	(29,000)	(25,000)
SHAREHOLDERS' EQUITY (DEFICIT) - END OF YEAR	£ (2,157)	£ 1,768

See accompanying notes to financial statements.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Net income	£ 25,075	£ 26,662
Adjustments to reconcile excess of net income to net cash provided by operating activities:		
Depreciation and amortization	2,490	4,364
Changes in assets and liabilities:		
Prepaid expenses and other assets	(3,105)	(4,243)
Accrued expenses	(1,557)	2,763
Other liabilities	(3,306)	5,967
Net cash provided by operating activities	19,597	35,513
Cash flows from investing activities:		
Property and equipment acquisitions	(1,927)	(796)
Net cash used in investing activities	(1,927)	(796)
Cash flows from financing activities:		
Capital distribution	(29,000)	(25,000)
Net cash used in financing activities	(29,000)	(25,000)
Net increase (decrease) in cash	(11,330)	9,717
Cash - beginning	12,698	2,981
CASH - ENDING	£ 1,368	£ 12,698

	2012	2011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	£ 7,405	£ 13,577

See accompanying notes to financial statements.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

Fundsolve Limited (the "Company") was incorporated on February 9, 2006 in the United Kingdom.

The Company provides software services to the financial services industry.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United Stated requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company derives revenue from providing online trading capabilities. Revenue is recognized when earned.

Functional Currency

The Company's reporting currency is British Pounds.

Software Development Costs

Costs for software developed for internal use are accounted for in accordance with FASB ASC Topic 350, *Intangibles - Goodwill and Other - Internal-Use Software*. ASC Topic 350 requires the capitalization of certain costs incurred in connection with developing or obtaining internal-use software. Such capitalized costs are included in "Capitalized software costs" in the balance sheets. The Company amortizes the costs of internal-use software over three years.

Costs that are incurred in the preliminary project stage are expensed as incurred and are included in "Computer - related expenses" in the accompanying statements of operations. Once the capitalization criteria of ASC Topic 350 have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll and payroll-related costs for employees who are directly associated with, and who devote time to the project (to the extent their time is spent directly on the project) and interest costs incurred in connection with developing the software, are capitalized.

The Company accounts for the costs to develop software that it plans to market externally in accordance with FASB ASC Subtopic 985-20, *Software - Costs of Software to be Sold, Leased, or Marketed*, whereby costs for the development of new software products and substantial enhancements

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. Technological feasibility is established upon completion of a working model. The Company amortizes the costs of software obtained or developed to be sold, leased or marketed over three years.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

Equipment	5 years
Computers	5 years
Furniture and fixtures	7 years

Long-lived Assets and Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, capitalized software costs, and other intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. When it is determined that impairment has occurred, a charge to operations will be recorded to reduce the asset to its fair value.

Income Taxes

The Company is a private limited company and treated as a corporation for tax purposes in the United Kingdom. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

(2) Furniture and Computer Equipment

Furniture and computer equipment, net consisted of the following at March 31, 2012 and 2011:

	2012	2011
Machinery and equipment	£17,936	£16,009
Furniture and fixtures	7,529	7,529
	25,465	23,538
Less: accumulated depreciation	18,861	16,371
Furniture and computer equipment, net	£ 6,604	£ 7,167

Depreciation expense for the years ended March 31, 2012 and 2011 totaled £2,490 and £4,364, respectively.

(3) Income Taxes

As a private limited company, the Company is treated as a corporation for income tax purposes and files income tax returns in the United Kingdom. A current income tax provision has been established for foreign income taxes.

The significant components of income taxes attributable to continuing operations are foreign current tax expense of £6,242 and £7,081 for the years ended March 31, 2011 and 2010, respectively.

As of March 31, 2012 and 2011, the Company had £528 and £498, respectively of deferred tax assets (DTAs) related to depreciation on fixed assets. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of £528 and £498. The change in the valuation allowance for the years ended March 31, 2012 and March 31, 2011 is £30.

The foreign statutory tax rate, consisting of the UK corporate income tax rate, is 20%, which is the same as the effective tax rate.

The Company does not have any current income taxes payable or receivable and there have been no cash payments for income taxes.

The Company adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes there are no tax positions requiring recognition or disclosure.

The following are the major tax jurisdictions in which the Company operates and the earliest tax years subject to examination:

United Kingdom	2006

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest for the year ended March 31, 2012 or March 31, 2011. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

(4) Capital Stock

At March 31, 2012 and 2011, The Company had 100 shares of issued and outstanding shares of the Company. For the year ended March 31, 2012, the Company declared and paid £29,000 of dividends on September 30, 2011. During the year ended March 31, 2011, the Company declared £2,000 of dividends on April 8, 2010 which were paid on April 9, 2010. In addition, for the year ended March 31, 2011, the Company declared £23,000 of dividends on June 29, 2010 which was paid on June 30, 2010.

(5) Subsequent Events

In accordance with FASB ASC 855, the Company has evaluated subsequent events through December 10, 2012, the date on which these financial statements were available to be issued. The Company was acquired pursuant to a Share Purchase Agreement, dated April 23, 2012, by and among Darren Davy and Nicholas Bell (the "Sellers") and with Liquid Holdings Group, LLC ("LHG"), the Sellers agreed to sell all of the issued share capital of the Company (the "Shares") to LHG.

The sale of the Shares were conditioned upon the successful integration of the Fundsolve Limited and Green Mountain Analytics, LLC software pursuant to the Systems Integration Agreement, dated February 23, 2012, by and among Fundsolve Limited, the Sellers and Green Mountain Analytics, LLC. The integration was completed on July 31, 2012 and the shares were transferred to LHG on such date. The Sellers exchanged their shares for membership interests in LHG, which were estimated to have a fair value of $1.69 million at July 31, 2012.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS AND CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Revenues	£ 7,822	£16,045
Cost of sales	2,685	2,685
Gross margin	5,137	13,360
Expenses		
Accounting fees	—	25
Computer-related expenses	480	606
Utilities	344	301
Depreciation and amortization	413	537
Other	236	296
Total expenses	1,473	1,765
Income before income taxes	3,664	11,595
Income tax expense	—	—
Net income	£ 3,664	£11,595
Shareholders' equity - beginning of year	(2,157)	1,768
SHAREHOLDERS' EQUITY (DEFICIT) - END OF THE PERIOD	£ 1,507	£13,363

See accompanying notes to unaudited condensed financial statements.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Net income	£ 3,664	£ 11,595
Adjustments to reconcile excess of net income to net cash provided by operating activities:		
Depreciation and amortization	413	537
Changes in assets and liabilities:		
Prepaid expenses and other assets	7,617	3,033
Accrued expenses	(9,198)	(10,294)
Other liabilities	(83)	(853)
Net cash provided by (used in) operating activities	2,413	4,018
Cash flows from investing activities:		
Property and equipment acquisitions	—	(693)
Net cash used in investing activities	—	(693)
Net increase in cash	2,413	3,325
Cash - beginning	1,368	12,698
CASH - ENDING	£ 3,781	£ 16,023

See accompanying notes to unaudited condensed financial statements.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organization and Nature of Operations

Fundsolve Limited (the "Company") was incorporated on February 9, 2006 in the United Kingdom. The Company provides software services to the financial services industry.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods ended June 30, 2012 and 2011 are not necessarily indicative of expected future results. An unaudited condensed balance sheet of the Company as of the end of the reporting periods has been omitted as the audited consolidated balance sheet as of December 31, 2012 of the acquirer, Liquid Holdings Group, LLC, is after the consummation date of the Company's acquisition.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United Stated requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company derives revenue from providing online trading capabilities. Revenue is recognized when earned.

Functional Currency

The Company's reporting currency is British Pounds.

Software Development Costs

Costs for software developed for internal use are accounted for in accordance with FASB ASC Topic 350, *Intangibles - Goodwill and Other - Internal-Use Software*. ASC Topic 350 requires the capitalization of certain costs incurred in connection with developing or obtaining internal-use software. Such capitalized costs are included in "Capitalized software costs" in the balance sheets. The Company amortizes the costs of internal-use software over three years.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Costs that are incurred in the preliminary project stage are expensed as incurred and are included in "Computer - related expenses" in the accompanying statements of operations. Once the capitalization criteria of ASC Topic 350 have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll and payroll-related costs for employees who are directly associated with, and who devote time to the project (to the extent their time is spent directly on the project) and interest costs incurred in connection with developing the software, are capitalized.

The Company accounts for the costs to develop software that it plans to market externally in accordance with FASB ASC Subtopic 985-20, *Software - Costs of Software to be Sold, Leased, or Marketed*, whereby costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. Technological feasibility is established upon completion of a working model. The Company amortizes the costs of software obtained or developed to be sold, leased or marketed over three years.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

Equipment	5 years
Computers	5 years
Furniture and fixtures	7 years

Long-lived Assets and Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property and equipment, capitalized software costs, and other intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. When it is determined that impairment has occurred, a charge to operations will be recorded to reduce the asset to its fair value.

Income Taxes

The Company is a private limited company and treated as a C corporation for tax purposes in the United Kingdom. The Company accounts for income taxes under ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply on taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

The Company also sets a consistent framework under ASC Subtopic 740-10 to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Company maintains no tax reserves for uncertain tax positions.

(2) Furniture and Computer Equipment

Furniture and computer equipment, net consisted of the following at June 30, 2012 and 2011:

	2012	2011
Machinery and equipment	£17,936	£16,702
Furniture and fixtures	7,529	7,529
	25,465	24,231
Less: accumulated depreciation	19,274	16,908
Furniture and computer equipment, net	£ 6,191	£ 7,323

Depreciation expense for the three months ended June 30, 2012 and 2011 totaled £413 and £537, respectively.

(3) Income Taxes

As a private limited company, the Company is treated as a C-Corporation for income tax purposes and files income tax returns in the United Kingdom. A current income tax provision has been established for foreign income taxes.

The significant components of income taxes attributable to continuing operations are foreign current tax expense of £6,242 for the fiscal year ended March 31, 2012.

As of March 31, 2012 the Company had £528 of deferred tax assets (DTAs) related to depreciation on fixed assets. The Company analyzed the recoverability of recorded DTAs based on the four sources of taxable income and concluded that the full amount of the DTAs will not be realized in the foreseeable future and hence, a full valuation allowance has been established in the amount of £528. The change in the valuation allowance for the fiscal year ended March 31, 2012 was £30.

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Table of Contents

FUNDSOLVE LIMITED
(A United Kingdom Company)
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

(4) Capital Stock

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(5) Subsequent Events

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Table of Contents

Through and including August 19, 2013 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

3,175,000 Shares

LIQUID HOLDINGS GROUP, INC.

COMMON STOCK

PROSPECTUS

SANDLER O'NEILL + PARTNERS, L.P.

Prospectus dated July 25, 2013